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FEATURED Q&A

What Does Provoste's Ouster Mean for the Bachelet Government?

Q Chile's Senate last week voted to remove Education Minister Yasna Provoste from office for alleged financial abuses at the ministry, the first time a cabinet-level official has been dismissed by Congress since Chile's return to democracy in 1990. What is the significance of Provoste's ouster for the government of President Michelle Bachelet? What does it say about the strength of the opposition?

However, this 'new majority' is not entirely Alianza. This means a diverse minority will be strengthened with a high aptitude for bribery to assure the government's flagship projects are not approved if the government can't establish an efficient and credible platform to negotiate with the 'unruly' lawmakers. In conclusion, Chilean democracy was weakened in this conflict, opening the door to even more intense conflicts in the future."

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A Guest Comment: **Guillermo Holzmann:** "This was a defeat for the government. First, it meant losing a minister who had projected leadership in her field—particularly in the face of problematic sectors and people with demands—like students and teachers, auguring a strong political future for her. In addition, she represented the renewal of women political leaders. Second, the government is bearing the cost of conflicts among the Concertacion parties, which resulted in the resignation of several deputies and senators (the so-called 'unruly ones') from their respective parties and which definitively solidified the majority that removed Minister Provoste from office, showing the the government's lack of negotiating ability to win enough backing to save Provoste. The opposition won an important political triumph. On the one hand, it established the perception of generalized corruption in the government that will require the president to apply a zero-tolerance policy to any irregularity.



Argentine Economy Minister Resigns Over Inflation Policy

Argentine Economy Minister Martin Lousteau, pictured above with President Cristina Fernandez on Tuesday, resigned Thursday after Fernandez rejected his proposals to tame inflation. See story on page 2.

Photo: Casa Rosada.

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NEWS BRIEFS

US Navy Re-Establishes Fourth Fleet to Oversee LatAm Operations

The US Navy on Thursday announced the re-establishment of its Fourth Fleet to oversee ships, aircraft, and submarines operating in the Caribbean, and Central and South America. In a [press release](#), the Defense Department said the fleet, which had been disbanded in the 1950s, will be based in Mayport, Florida, coordinating efforts with the US Naval Forces Southern Command, which also is based there. "Re-establishing the Fourth Fleet recognizes the immense importance of maritime security in the southern part of the Western Hemisphere, and signals our support and interest in the civil and military maritime services in Central and South America," Chief of Naval Operations Admiral Gary Roughead was quoted as saying in the press release.

UN Agency Appeals for Food Aid to Haiti

The United Nations' World Food Program (WFP) lacks funds to help feed Haiti's poor, and international donors must provide urgent and massive aid, WFP spokesman Alejandro Lopez said Thursday, according to Reuters. "We don't have enough food to face the demand, and we will need even more funds than what [was] already requested," Lopez was quoted as saying. He said the agency had a \$37.8 million shortfall in the \$45 million budget anticipated for this year in Haiti, where riots over soaring food prices earlier this month killed six people. The WFP aims to feed 1.7 million Haitians, but estimates show the number needing help to cope with the current food crisis could reach close to 5 million, Reuters reported.

Economy News**Argentine Economy Minister Resigns Over Inflation Policy**

Argentine Economy Minister Martin Lousteau resigned Thursday after President Cristina Fernandez rejected his proposals to tame inflation in the South



Lousteau
Photo: economy ministry.

American country, local daily *La Nacion* reported. In a brief press release, the Fernandez government confirmed Lousteau's resignation, and confirmed that Carlos Fernandez, the current head of Argentina's AFIP tax authority who is considered a frequent advisor on economic matters to former President Nestor Kirchner—Fernandez's husband—would replace the 36 year-old Lousteau. According to *La Nacion*, Lousteau had warned Fernandez and cabinet chief Alberto Fernandez in meetings

this week that Argentina's economy is headed for a crisis if his proposals to combat inflation were not implemented. Lousteau's proposals included increases in gas and electricity rates for wealthier consumers, cuts in infrastructure spending, stimulating greater savings by Argentines, and accurate inflation reporting by statistics agency Indec, which critics say under-reports inflation as a result of political manipulation. Indec is reporting annual inflation of around 10 percent, while most economists agree the real number is closer to 20-25 percent. Inflation has posed one of the biggest challenges to the four month-old Fernandez government. One measure aimed at controlling food prices—higher taxes on soy exports—met with a backlash last month by farmers, who staged a three-week strike that caused shortages of beef, poultry, dairy, and other basic food items in urban centers. The farmers agreed to suspend the strike for 30 days until May 2, but progress is reportedly slow and Argentine markets have fallen in recent days on fears the strike will resume.

Featured Q&A

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A **Guest Comment: Jorge Heine:** "The ouster of Education Minister Yasna Provoste has been a serious setback for President Bachelet. It came in tandem with another, a decision by the Constitutional Court to ban the free distribution of the 'morning after' pill, in a country where abortions are illegal and 50 percent of children are born out of wedlock, mostly to teenage mothers. Yet on both issues the government has a majority of public opinion behind it, and much depends on how it gears up for next October's municipal elections. Bachelet, whose approval ratings are at 50 percent, can use the new sense of unity within the Concertacion—the ruling coalition—to mount an aggressive campaign and gain a solid victory in October, repositioning the center-left for the December 2009 presidential elections. The right-wing opposition is in a quandary. Having tasted blood and con-

solidated its new majority in the Senate, first with the election of expelled Christian Democrat Adolfo Zaldívar to its presidency, and then with Provoste's impeachment, it is looking for more, in keeping with the *estrategia del desalojo* ('throw out the rascals') of Senator Andres Allamand. Yet Chileans don't like confrontation. Neither does Sebastian Pinera, the billionaire opposition leader at the head of all presidential polls. Having opened the Pandora's box of ministerial impeachment, the opposition could well use it to paralyze the government. If it does, it may, in the best tradition of the past 18 years, become its own worst enemy."

A **Guest Comment: Patricio Navia:** "The removal of a cabinet minister by the Chilean Congress ... represents much more a symptom of the deteriorating quality of politics than evidence of

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Company News

Cosan Agrees to Buy ExxonMobil's Brazilian Fuel Distribution Business

Brazilian sugarcane and ethanol producer **Cosan** said Thursday it agreed to buy **ExxonMobil's** fuel distribution business in Brazil for \$826 million. In a [statement](#), Cosan said it would acquire 100 percent of **Esso Brasileira de Petroleo Ltda.**, Brazil's fifth-largest fuel retailer with more than 1,500 service stations in 20 states. In acquiring Esso, Cosan beat out Brazilian national oil company **Petrobras**, which had bid for the assets, Reuters reported. After the announcement, however, **Standard & Poor's** said it was putting Cosan's ratings on "credit watch with negative implications" on concerns the deal could weaken the company's debt and cash-flow picture. Last year, Esso had a 9.0 percent market share in the distribution of ethanol, whose use is growing fast in Brazil, the world's second-largest producer of the fuel. "Positioning Cosan in a relevant manner in the fuels distribution sector in Brazil is an important step for Cosan in the consolidation of ethanol as the principal fuel in the Brazilian market," the company said. Analysts confirm that Brazil's ethanol market is undergoing a process of consolidation, pointing to other news on Thursday, an announcement by **BP Plc** that it agreed to pay 100 million reais (\$US 60 million) for a stake in **Tropical Bioenergia**—a joint venture between Brazilian sugar and ethanol producer **Santelisa Vale**, and **Maeda**, which grows cotton and soy and makes plant-based oils. BP also said it and its partners in Tropical will invest 1.66 billion reais in two new biofuels plants in Brazil. The chief of BP's biofuels division, Phil New, called BP's portion of the investment—about 800 million reais—"the biggest ever made by an international company in the Brazilian ethanol industry." Critics of biofuels say they are responsible for soaring food prices and that they threaten increased poverty and hunger in developing countries by diverting land used for food crops to land for fuel crops. [Editor's note: see related Q&A in yesterday's issue of the *Advisor*.]

Special Advisor Report

Democratic Primary Bringing Attention to Puerto Rico's Status

By Elisabeth Burgess

WASHINGTON, DC—Momentum is building in the US Congress to give Puerto Rico a chance to change its status as a semi-autonomous territory of the United States, Kenneth McClintock, president of Puerto Rico's Senate and an advocate for the island's statehood, told the *Advisor* this week.

With the contentious race between Democratic presidential candidates Barack Obama and Hillary Clinton still unresolved, Puerto Ricans could be decisive when they vote in a June 1 primary, and this is making lawmakers pay attention to the island's status, McClintock said.

On an island where local politics is all about the status issue, "the June 1 primary is giving us the opportunity to remind people that although we may not vote in November—unjustly—we do vote in the selection process," McClintock said. "This time around, for the first time almost in history, we've become important because of the primary." The island will send 63 delegates and seven superdelegates to the Democratic Party's convention in August. This is more delegates than 27 states have.



McClintock

Photo: Latin America Advisor.

McClintock and other statehood advocates want Congress to sanction a plebiscite vote—which would not be the first—whereby Puerto Ricans could once again choose to maintain the status quo or get some form of permanent non-territorial status. Most recently in 1993 and 1998, islanders upheld the status quo in plebiscite votes. Last October, another plebiscite bill was marked up in the House Resources Committee, which oversees US territorial issues, but it stagnated for six months—until Tuesday. The committee finally reported the bill (H.R. 900), meaning it is now up to the House leadership to schedule a vote.

"I don't think that is coincidental," McClintock told the *Advisor*. "I think the heightened attention on Puerto Rico made it untenable for them to continue holding the report without being issued," he asserted.

The senator thinks the Democratic primary's attention will make lawmakers less wary about passing H.R. 900 and opening the doors to Puerto Rico as the 51st US state.

"You don't welcome into your family someone you don't know," he said. "The more you know someone, the more you welcome them into the family."

If H.R. 900 passes, the ensuing plebiscite would not ask voters to choose between statehood and independence, but would pave the way for a second vote on that subject. Prospects for statehood will be better under Clinton than either Obama or McCain, said McClintock, a Democratic Party superdelegate and pledged Clinton supporter.

Momentum for a status change is also building in Puerto Rico, McClintock said, where he believes a November governor's race will shift the balance of power toward his pro-statehood New Progressive Party (PNP) and its candidate, Luis Fortuno. Prospects for the pro-commonwealth opposition, the Popular Democratic Party (PPD), may have deteriorated when its candidate, incumbent Governor Anibal Acevedo, was indicted earlier this month by a US federal jury on 19 criminal counts related to illegal campaign finance.

Acevedo's party is telling a different story. Eduardo Bhatia, a PPD senate candidate and

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Featured Q&A*Continued from page 2*

increased corruption or a signal of an implosion within the ruling Concertacion ... When Bachelet opted to confirm Provoste as minister, the opposition Alianza used a constitutional provision to force her removal. Because the PDC expelled a few legislators a few months ago, the Concertacion no longer controls a majority in the Chamber of Deputies or the Senate. Thus, with support from the former Concertacion legislators, the Alianza successfully forced the the minister of education's removal. The bickering had high costs for all those involved. The government knew it would lose the fight, but instead of sacking Provoste, Bachelet decided to carry on with the process, which consumed several precious weeks of the legislative calendar. In addition, the government gave the former Concertacion legislators a perfect excuse to form a working coalition with the Alianza; thus, a new opposition majority has emerged in Congress. For the Alianza, the affair was more costly than beneficial. Although it was able to disturb the Bachelet government and force a minister out, the new 'working majority' will force it to take more populist stances and will allow the Concertacion to question the Alianza's

ability to offer a coherent government program for the 2009 election. Because of the accusation, press attention centered on Provoste and not on the investigation of the lax administrative procedures in the ministry of education. With Provoste gone, Bachelet now needs to regain control of the political agenda, but her legislative agenda will have a much tougher time advancing. The Alianza needs to focus on the 2009 election rather than on causing more damage to an already weakened government. And Chileans now have to start worrying about their political elite, which seems much more interested in party bickering than on discussing policies and confronting ideas to face current economic and social challenges."

Guillermo Holzmann is a Professor and Assistant Director of the Public Affairs Institute at the University of Chile.

Jorge Heine is CIGI Professor of Global Governance at Wilfrid Laurier University in Canada and a former Chilean Ambassador.

Patricio Navia is a Professor of Political Science at New York University.

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former head of the Puerto Rico Federal Affairs Administration, told the *Advisor* on Thursday that the indictment has strengthened Acevedo's chances.

"[Acevedo] was going to face a very tough re-election campaign based on the economy of Puerto Rico," Bhatia explained. "That's not the issue anymore." Instead, people are switching their votes to Acevedo out of "dignity and nationalism," because they feel the governor has been mistreated by the federal agencies, Bhatia asserted.

Bhatia also disagrees with McClintock's view that Tuesday's report on H.R. 900 suggested momentum. Bhatia, who favors a rival bill (H.R. 1230) that would endorse a constitutional convention in Puerto Rico to look at the status issue, told the *Advisor* that the Resources Committee dragged its feet for months on H.R. 900 because members of Congress don't want to take sides and are tired of the issue.

Puerto Ricans are so evenly divided about the island's status that any plan for two successive plebiscites could be posed in such a way as to determine a specific outcome, Bhatia said. "I not only think this H.R. 900 is a silly process, but it's un-American," he said. "As long as commonwealth is on the ballot, statehood will never win."

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