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## FEATURED Q&A

### How Well Prepared is the Caribbean for this Hurricane Season?

**Q** This hurricane season has once again brought severe weather to parts of the Caribbean, renewing public attention to emergency preparedness plans and the economic consequences of hurricane events. How far have the Caribbean's emergency preparedness plans come along in recent years, and what remains to be done? How well fortified are Caribbean nations to withstand the economic consequences of hurricanes this year, and what more should governments and businesses do?

structure damage is commonplace. Roads are often inadequately constructed and public finance restraints deter adequate maintenance. A number of bridges became Gustav casualties including one at Harbour View. Its collapse severed easy road contact between Kingston and the parish of St. Thomas. The Kingston airport can only be reached by a sea level road running along a peninsula. This critical Palisadoes road is susceptible to sea surges and needs expensive elevation. Jamaica has poor families who live in fragile homes. Too often such

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**A** **Guest Comment: Oliver Clarke:** "Jamaica has good and improved preparedness plans. The Office of Disaster Preparedness and Emergency Management implements response activity and runs shelters throughout the island at pre-publicized locations. Newspapers, TV, radio and online services all give advance weather warnings and handle live phone-in reports of critical situations, so alerting the utility companies. Evacuations are announced when necessary. Our laws do not allow for enforcement of evacuation. Most domestic damage, as with the recent Gustav, is caused by water—sea surges, rivers overflowing, and other floodings. Roofs made of zinc sheets and those not properly clamped down suffer. Fatal incidents tend to involve families who illegally built on riverbanks, flood-prone areas or near drains and find their homes affected by land erosion and flooding. Major infra-



### Camareas, Wiretaps Found in Colom's Home and Office

Guatemalan President Alvaro Colom fired his security chief Thursday after hidden cameras and voice recorders were found in his offices and home. See related story on page 2.

*Photo: Guatemalan government.*

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## NEWS BRIEFS

**Ecuador Cuts 2009 Oil Output Target by 8 percent**

Ecuador's energy chief said Thursday the country has lowered its 2009 oil output target 8 percent to 480,000 barrels per day (bpd), reported Reuters. Mines and Oil Minister Galo Chiriboga told local daily *El Comercio* that the lower output was partly due to natural decline in the country's main oil reserves. Last year, Ecuador produced 510,000 bpd and had previously set a target of 530,000 bpd for 2009.

**Menlo Worldwide Shifts Mexico Operations to Guadalajara**

Menlo Worldwide Logistics on Thursday announced that it is expanding its presence in Guadalajara, Mexico. The expansion will include a relocation of functions from Mexico City to Guadalajara, including sales, finance, administrative, transportation management and engineering. Menlo, which has \$1.4 billion in sales, wants to target Mexico's growing high-tech market and bring operations closer to the US border, the company said in a press release.

**Brazil Auto Sales Fall in August from Record Set in July**

Auto production and sales in Brazil fell sharply in August compared to the month before, the country's main automaker association, Anfavea, said on Thursday, Reuters reported. Rising interest rates began to affect consumer demand, according to an Anfavea release. Higher incomes and cheaper credit had driven car demand across Brazil to new heights in recent years. Car sales fell 15.1 percent from July to 244,800 units, but were still up 4 percent over the same month last year, Anfavea said.

## Political News

**Guatemalan President Finds Hidden Spy Equipment in Home, Office**

Guatemalan President Alvaro Colom said Thursday he found cameras and voice recorders hidden in his offices and home, Reuters reported. The head of presidential security in Guatemala, Carlos Quintanilla, has resigned as a result of the security lapse. Colom said the devices could have been used for espionage but did not specify who he thought had planted them or why. He said he became suspicious when parts of private conversations began appearing in local media recently. "This is a very serious infiltration in the presidential palace. We have found seven recorders,

the Congress building in the capital city of Asuncion as the vote was taking place, according to the report. Duarte and the Senators from the opposition Colorado party did not show up in person for the full session vote, and the former president insisted he will appeal to the judicial branch of government to have his elected seat recognized.

## Economic News

**Chile's Central Bank Raises Rates to Highest Level in Decade**

Chile's central bank on Thursday raised its target policy interest rate by 50 basis points to 8.25 percent, the highest figure this decade, Bloomberg News reported.

“This is a very serious infiltration in the presidential palace.”

— Alvaro Colom

two hidden cameras and two similar devices in my private office," Colom told a news conference. "There are indications there are more in the window of my house," he added. Colom, a social democrat, took office in January this year.

**Paraguay's Former President Blocked from Taking Active Senate Seat**

The Paraguayan Senate, under pressure amid swirling rumors of a coup attempt against freshly installed President Fernando Lugo, on Thursday disbarred former president Nicanor Duarte, who was trying to occupy a seat for which he had been elected, Mercopress reported. "For the good of the country we are giving up our proposal," said Senate President Enrique Gonzalez Quintana, who belongs to the main opposition party. The ruling coalition wanted Duarte disbarred from his "active" Senate seat because as former president he is already entitled to a non-voting "seat for life." Thousands of Lugo supporters chanted and danced outside

Wall Street analysts were expecting the move, as Chile's monetary policymakers have been signaling they were bracing for an adverse inflation outlook and wanted to bring inflation back to the central bank's 2-4 percent target range. "The policy statement reinforced the central bank's hawkish bias and hinted at a change in the tightening pace. We continue to pencil in two additional 25 basis point rate hikes in October and November," JP Morgan analysts wrote in a research note this morning. Chilean Finance Minister Andres Velasco said Thursday that Chile's inflation is "sustainable, not exaggerated," Bloomberg News reported. Cheaper electricity and falling oil prices have contributed to better-than-expected economic growth rate in July, Velasco noted.

**Economic Weaknesses Holding Colombia Back, Fitch Says**

Weak trade integration and high commodity dependence are holding back Colombia from achieving better credit

ratings, New York-based **Fitch Ratings** said Thursday in a new report. While some countries in Latin America have as many as 14 Free Trade Agreements, Colombia has only two, Fitch noted. Under these two FTAs, only 32 percent of the country's exports benefit from permanent preferential treatment, in contrast to up to 60 percent for some countries. In addition, merchandise trade makes up only 33 percent of the Colombia's GDP, compared to a median of 60 percent for countries in Fitch's "BB" ratings category, according to the report. "Colombia's trade openness is limited in scope and not well-institutionalized relative to similarly rated sovereigns, regional peers and other emerging markets," said Shelly Shetty, senior director in Fitch's Latin American sovereign group. Colombia's heavy reliance on the US market, which makes up nearly 40 percent of its exports, leaves the Andean nation particularly vulnerable to economic slowdown. Fitch recommends both continuing the FTA process with the US and branching out to regional trade partners. Fitch's Shetty said although FTAs alone will not raise Colombia's sovereign credit rating, they can do much to promote efficiency and structural reforms, which ultimately influence creditworthiness.

## Company News

### Elcoteq Finalizes \$32 Million Acquisition of TV Plant in Mexico

Finnish communications equipment maker **Elcoteq** has closed on a deal to purchase **Philips'** flat panel TV (FTV) assembly operations in Juarez, Mexico for \$32 million, the company announced in a press release. The deal includes a long-term agreement with **Philips** to provide manufacturing services to Philips for its Latin American FTV business in the Americas. The deal also involves a long-term cooperation agreement with **Funai Electric Co.** to provide manufacturing services to Funai's FTV business in North America. The plant currently has approximately 740 employees. Elcoteq expects the net sales related to the deal to be approximately \$200 million in 2008. Elcoteq's

### Featured Q&A

*Continued from page 1*

homes are rebuilt in locations easily threatened by severe weather. Greater access to affordable land could alleviate this issue. Our country's massive public debt limits the ability for needed infrastructure improvements. As increased severe weather incidents appear to become the norm Jamaica increasingly needs external grants to remedy damage."

**A** **Guest Comment: James Morrell:** "In September 2004, Hurricane Jeanne flooded the entire northern city of Gonaives, killing 3,000. On paper, measures were taken to prevent a recurrence. In 2005 the World Bank launched a \$12 million Emergency Recovery and Disaster Management Project to provide relief, fund an office in the Ministry of Interior, and build levees, terracing, and drainage works. Yet the mayor of Gonaives now reports that his city is flooded again, with water levels of seven feet and rising, and residents trapped on their rooftops. On closer inspection, less than 10 percent of the World Bank project went to the construction of levees. In January 2008 the bank added another \$7.4 million but reduced the bricks-and-mortar portion further. It explained that in the absence of

a real government effort at flood control, any structures the bank built would simply be washed away in the next big rain. Thus, like so many other foreign efforts in Haiti, a piecemeal, half-hearted approach to disaster readiness hit up against fundamental political realities. Four years and two World Bank programs later, no real flood works have been built. The priorities of the Haitian government are else-

“Four years and two World Bank programs later, no real flood works have been built.”

— James Morrell

where. President Preval recently announced that his top priority would be getting rid of the current constitution with its limits on presidential succession. Haiti does have capable managers in its middle class and diaspora who could administer a serious flood works program. But the chances that they will come to office any time soon are considerably reduced by recent moves Preval has made

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consolidated net sales for 2007 totaled 4.0 billion euros (US\$5.78 billion).

### Brazilian Textile Maker Plans New North Carolina Plant

A Brazilian textile manufacturer plans to build a \$133 million plant in Statesville, North Carolina, the Greensboro *Business Journal* reported Thursday. **Companhia Providencia**, the largest producer of non-woven fabrics in Latin America, supplies companies like **Procter & Gamble** and **Kimberly-Clark**, according to the report. The 215,000-square-foot Statesville plant, which is slated for a 43-acre site, will employ 90 people. The plant's two lines of production are expected to have a combined name plate capacity of 40,000 tons of spunbonded nonwovens per year. Construction will begin this fall and is

scheduled to be completed early next year.

### AIG Makes \$38 Million Investment in Brazilian Construction Firm

**AIG Investments** Thursday announced a 60 million reais (US\$38.6 million) investment in Brazil's **Advento Participacoes**, a specialty engineering services provider in Brazil. AIG Investments will also have the ability to invest an additional 20 million reais toward Advento's future expansion activities, the company said. Advento will use the investment capital to acquire **Serpal Engenharia e Construtora Ltda.**, a Brazilian construction company with a 35-year history of projects in the industrial and commercial sectors, making Advento the only construction and turnkey engineering group in Brazil, according to the press release.

**Featured Q&A***Continued from page 3*

to control the electoral commission. If not the Haitian government, could foreigners administer flood protection in Haiti? In hopelessly misgoverned entities such as Bosnia or Kosovo, the United Nations has stepped in and directly

“Disaster management is a key pillar of sustainable development within the Caribbean Community.”

— *Jeremy Collymore*

administered government ministries. In Haiti's recent elections, the U.N. itself delivered the ballots from the polls to the tabulation center, a passage that was often interrupted in past Haitian elections. Whether foreign or Haitian, only capable management can save Haiti from the many hurricanes which threaten it.”

**A Guest Comment: Jeremy Collymore:** "Disaster management in the Caribbean has traditionally been event driven, hurricane centered and focussed primarily on preparedness and response. Since 2001, this approach has undergone a metamorphosis, emerging as Comprehensive Disaster Management (CDM). CDM has systematically transformed disaster risk management and facilitated its linkages into development decision making and planning within the Caribbean region. Essentially, it has created a robust framework for the management of a variety of hazards addressing all aspects of the disaster management cycle. At the national level this has involved the adoption of disaster management legislation, a number of policies, plans and procedures, promotion of risk management practices, creation of national disaster funds and institutional capacity building at all levels. This is buttressed by the Regional Response Mechanism (RRM), which harnesses the

region's collective response capability for mutual support to participating states. In recent times, the RRM has more closely embraced scenario planning, including multi-island impacts. The paradigm shift, however, has not been homogeneous, as countries are at differing stages of development in disaster management and inadequacies of coping capacities in some countries exist. The Caribbean economies, as with the world, are currently facing challenges related to rising oil and commodity prices and a depreciating US dollar which have major implications for their survival. The vulnerable Caribbean economic landscapes are also challenged and severely impacted by hurricane-driven disasters as demonstrated by Hurricanes Ivan (2004) and Dean (2007). These systems resulted in slowed economic growth in affected countries and highlighted that a single event can wreak havoc on the already fragile socio-economic landscape of many Caribbean islands. This is still the reality in 2008. Disaster management is a key pillar of sustainable development within the Caribbean Community. While much progress has already been made, there is still a dire need for CDM to be mainstreamed in the macro-economic management process in the Caribbean region. Systemic changes and champions are required for elevating the risk management agenda that will result in demonstrable and tangible changes in disaster loss reduction and the concomitant trickling effects into sectors, businesses and communities."

**Oliver Clarke** is Chairman and Managing Director of the Gleaner Company Ltd in Jamaica.

**James Morrell** is the Executive Director of the Haiti Democracy Project.

**Jeremy Collymore** is the Coordinator of the Caribbean Disaster Emergency Response Agency (CDERA).

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