Die Person Leonel

Categories : Investitionsreport 2006

Back then, his main claim to fame had been his role as right-hand man to a former Marxist president, Juan Bosch. In the early 1970s he had helped Mr Bosch form the left-wing pro-Cuban Dominican Liberation Party, the principal aim of which was to campaign against US influence in the country.

Any doubts have long since been put to rest, however. After a successful first term in which he embraced the market, selling off lossmaking companies and opening up the country to private investment, Mr Fernández, 52, has become the voice of reason as far as business groups are concerned.

And after just 18 months back at the helm, the president has cemented his reputation as a careful manager by leading a quick restoration of financial stability, following the disastrous mismanagement of his predecessor, Hipólito Mejía.
Four percentage points have been shaved off a ballooning fiscal deficit and inflation – running at more than 50 per cent a year in the first half of 2004 – is back in single digits. Confidence has been restored to a banking sector, the collapse of which in 2003 explains many of the failings of the previous administration, credit is flowing and the tourism and manufacturing sectors are doing reasonably well.

Last year, the economy grew 9 per cent and Mr Fernández secured Dominican participation in a trade deal with the US that he believes will underpin the country's future success.

"I feel that DR-Cafta is going to open up opportunities", says Mr Fernández. He says that permanent tariff-free access to the US market will establish a system of "triangulation" with companies from many parts of the world investing in the Dominican Republic to take advantage.

At the same time, however, Mr Fernández is also acutely aware of the shortcomings of simply relying on the markets. In part that reflects the fact that voters deserted him six years ago when they sensed they were not benefiting from economic expansion, precipitating an unexpected victory by the opposition Dominican Revolutionary Party.

But Mr Fernández says in addition that that there is considerable popular "disenchantment" about the lack of social and economic progress. "The economy can grow perfectly well. Nevertheless, people can say the economy is growing but I am still not receiving the benefit. They are right and the reason they are right is that we still have 20 per cent unemployment and 34 per cent of the population working in the informal economy," says Mr Fernández. "There is no correspondence between a growing economy and the welfare of the society."

Not only that but in Mr Fernández's view social difficulties – social exclusion, poverty and marginality – have become more intense and intractable. "The region has never before experienced, with so much intensity and such drama, what is occurring today with kidnappings –

which we have never seen before – with the development of an internal market for drugs, which we didn't have before," he says.

Not surprisingly, as he approaches the second part of his mandate the big priority will be jobs. Maintaining stability and attracting investment will be important. But so will be measures to stimulate employment.

"We are talking with them to define ways in which companies can take on university students as part-time workers. We want companies that have state contracts [in public works] to take on engineering students, for example. In the next two-and-a-half years we want to create 500,000 jobs and reduce the rate of open unemployment from 20 per cent to 13 per cent," he says.
That same pragmatism informs his approach to the electricity sector, the problems of which, he says, are the government's biggest challenge. Having privatised distribution in the 1990s, Mr Fernández watched his successor renationalise part of the sector three years ago. Now, however, he is ruling out any sale back to the market, arguing that the public sector is just as well placed to tackle the problems of endemic non-payment and under-investment. Nor will $600m in annual subsidies to the electricity and gas sectors be scrapped soon. Mr Fernández says that for the system "to function efficiently" the subsidies must be eliminated. "But I can't say to you that this is going to be possible in the rest of our mandate. But we will work towards their eventual eradication."

In addition, the president is an enthusiastic recipient of Venezuelan support, offered by the radical anti-US government under the terms of its Petrocaribe initiative. "You have to recognise that the Venezuelan government has used mechanisms outside the market – mechanisms of solidarity – and that this is contributing to mitigate the impact in these markets here in the Caribbean." Speaking favourably about European experience and the way convergence funds helped pave the way for economic development in Portugal, Spain and Ireland, Mr Fernández says similar structures could help ease infrastructure deficits in Latin America

All this may sound too interventionist for free-marketeers but Mr Fernández says the state has no option.

"The problem of Latin America is how to guarantee stability and obtain the growth that will allow the mass of the population to improve their standard of living," he says.

"This has not been achieved by orthodox market-based policies. We have moved on a pendulum between populism and liberalism. The challenge is to enter a post-populist and post neo-liberal phase."