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Fernandez Faltering In Bid For A Third Dominican Presidency

by LADB Staff

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Voters will go to the polls in the Dominican Republic May 16 to decide on a third term for incumbent President Leonel Fernandez. Considered a sure winner a few weeks ago, his lead in the latest polls has shrunk against his closest competitor, Miguel Vargas of the Partido Revolucionario Dominicano (PRD). To avoid a runoff, the winner would need to win by 50% plus one, a simple majority. Fernandez seemed to have that majority in the bag a month ago when a Penn, Schoen & Berland poll showed him to have 56% of voter support and Vargas to have just 32%. In third place, Amable Aristy Castro of the Partido Reformista Social Cristiano (PRSC) was barely in the contest with 8%. But that was then.

A poll released April 15 recorded some major slippage for Fernandez. The Partido de Liberacion Dominicana (PLD) incumbent's lead was wiped out. Fernandez, at 40.6%, was virtually tied with Vargas at 39%. Aristy remained in the distance with 7%. A month ago, Fernandez was riding a wave that crested at the Rio Group Summit in Santo Domingo, where, as host, he was credited with bringing together the heads of state of Colombia, Ecuador, and Venezuela, walking and talking them back from the brink of mayhem. Colombia had incurred upon Ecuadoran territory to kill Fuerzas Armadas Revolucionarias de Colombia (FARC) leader Raul Reyes, with a little help from the US (see NotiCen, 2008-04-03 and NotiSur, 2008-03-07).

Domestically, Fernandez had exercised his considerable political skills in delivering what some in the media called "a knockout blow" to Vargas by laying claim to the legacy of Joaquin Balaguer (1960-1962, 1966-1978, 1986-1996). He managed to wrest from Vargas the support of two members of the PRSC leadership and brought more than a thousand local party leaders over to his Leonel en Primer Vuelta (Leonel in the First Round) movement.

The endless presidency, a tradition

In seeking a third term, Fernandez follows a pattern Balaguer followed, the endless presidency with the occasional break. The self-styled "natural heir" of the revered leader would need to win several more elections to catch up with Balaguer, and he would still be challenged for longevity. Balaguer took over from Rafael Trujillo, who ruled from 1930 to 1960, but only sometimes as president, 1930-1938 and 1942-1952. The rest of the time was as, well, boss. Balaguer only got his chance to rule when the Organization of American States (OAS) finally put its foot down in 1960 and demanded that a non-Trujillo succeed Rafael's puppet, his brother Hector.

Fernandez has already taken a break. He was president from 1996-2000 but stepped aside for the PRD's Hipolito Mejia (2000-2004) before returning for his present term. A taste for longevity aside, Fernandez has nothing of the dictator about him and is said to have built his platform on

accomplishment. One of his more remarkable accomplishments is bringing a subway to Santo Domingo.

Fernandez grew up in New York City, and it has been written that he returned to the Dominican Republic with dreams of bringing Manhattan home. And so he did; he invested US\$725 million on a nine-mile (14.4-km) urban-transit system scheduled to go into operation this summer. Fernandez did this as he rescued his country from a tanking economy brought on by Mejia. He has brought value back to a currency that had lost more than half its worth (see NotiCen, 2004-08-12), presided over a tourism boom, and brought down a 43% inflation rate. But these accomplishments have been criticized as spotty.

Power outages still plague the country, and massive public works have not brought any great relief to poverty rates, nor has the population as a whole seen any great gains. Florida International University (FIU) professor Eduardo Gamarra, a friend of Fernandez, put it this way, "In our surveys, when we ask what is the worst thing Leonel Fernandez has done, they say the metro. The best thing? The metro." Gamarra is a paid consultant to Fernandez. The president hired him to design a security plan for the inner city, which seems to have worked well. Gamarra says of his patron, "This guy is a studied man with a vision who thought to himself, 'I am going to build a little New York here.'"

A touch of Tut

The subway, while an answer to crushing traffic, has been described by PRD party chief Orlando Jorge Mera as "pharaonic," as in, "His is one of those governments that wants symbolic pharaonic public works that stay in people's memories despite the need or cost." In addition to questioning the wisdom of this tendency of Fernandez's, Mera also points out that it has the potential to bring on scandal, as was the case when the administration circumvented the Congress in negotiating a US\$130 million university-expansion project. This was not simply an example of architectural megalomania, said political analyst and critic Juan Bolivar Diaz, but also a scheme to create short-term jobs to offset the country's 16% unemployment rate at election time. "He has been buying people off one by one with jobs," said the critic. "People believe he's modern; he's not. His practices contradict his words." Even analysts not inclined to be critical of the president point to a vulnerability that threatens to undo Fernandez's economic accomplishments.

The next administration will have to deal with the effects of the slowdown in the US, the country's major trading partner and foreign investor by virtue of proximity and the Central American Free Trade Agreement (CAFTA), sometimes called DR-CAFTA, of which the Dominican Republic is a member. Fernandez has said repeatedly that economic improvement is "not something that can be done in a four-year administration or eight-year administration." Sustained large-scale growth is thus the *raison d'etre* of his campaign, and his central bank (Banco Central) is cutting that rationale out from under him with a prediction of only 5.3% GDP growth for the coming year, down from the nearly 10% from 2005 to 2007.

Central bank governor Hector Valdez Albizu said the slowdown would mean weaker demand for Dominican exports, lower remittances currently reaching US\$3 billion annually, and diminished tourism. His estimate was that a 1% decline in US GDP growth would result in a .5% drop in the

Dominican figure. The Dominican Republic's US\$38 billion economy depends on low interest rates, rapidly growing consumer markets, and record levels of foreign direct investment (FDI), according to the bank. The Economist Intelligence Unit (EIU) projects Dominican growth of 5% for this year. EIU Latin America analyst Anna Szterenfeld said, "A renewed shock in the local banking sector, where oversight remains weak, or fiscal slippage related to the 2008 election, represent domestic risks."

Besides the US economic situation, Szterenfeld added high oil prices and continued rising global-risk aversion as concerns for the Dominican outlook. In her analysis, the high oil prices would complicate efforts to fix the electricity problems, which in turn would drag down domestic production in general. She said FDI, which reached US\$ 1.7 billion last year, was expected to remain high. As election day draws near, the rosy economic numbers upon which Fernandez has built his campaign have seemed increasingly shaky, and Vargas has moved in to capitalize. He has called government figures "false" and charged that they do not reflect the "extreme poverty" in which most of the people live. In turn, the administration has tarred Vargas with responsibility for the disaster of the Mejia years.

The April 15 poll indicated Vargas was getting the better of the exchange, reducing the Fernandez lead to a technical tie and wiping out expectations of an outright single-round knockout. Some labor unrest, including strikes, has helped the challenger. So has a convergence of opposition parties to denounce the administration for using public funds in the campaign. Their agitation got the Junta Central Electoral (JCE) to order the government to stop paying party members on the government payroll.

In early April, the PRD and PRSC got together with a couple of smaller parties and signed accords calling for prosecuting officials who used public funds in "an illegal and abusive way" and for funding an investigation. They presented evidence to the Organization of American States (OAS) of channeling funds based on a journalistic investigation that turned up evidence of monthly payments going to the party base. The reporter, Nuria Piera, alleged the existence of "little payrolls" within each ministry going to thousands of supporters. The opposition parties enjoyed the JCE support but denounced it for not demanding prosecution of implicated officials. At the time, Fernandez accepted the JCE resolution, reportedly because he was confident his polling lead was insurmountable, and he did not want to give the opposition anything on which to blame defeat.

After the more recent polls took his lead away, however, Fernandez has moved to counter any further signs of voter dissatisfaction. A significant source of growing discontent has been a sharp rise in food prices. On April 22, the central bank announced a US\$100 million infusion of cash into the exchange system to buffer rising prices of imports of basic consumer items. Notices in local newspapers said the resources would serve "to attend to the foreign-payment needs corresponding mainly to importing products that form part of the family basket." The measure, said the bank, would permit it "to adjust the aggregate demand, which in pre-electoral periods, and seasonally, tends to rise, creating undesirable inflationary pressures, which will be continually corrected through effective control of money supplies." The bank went on to explain that the cash infusion into the system would help mitigate the impact of historically high oil prices as well that are showing up as higher transport costs, "which have an important effect on the prices of domestic basic

products, basically agricultural." Fernandez reportedly met with business and trade groups to get them to keep prices "accessible," including prices of imported wheat, corn, sorghum, soy, powdered milk, and others. Poultry, rice, cooking oil, sugar, milk, and dairy products all have seen increases of as much as 40%.

Fernandez has chosen a blue-ribbon commission to deal with the situation, while Vargas has supported a national strike in protest. The JCE has said the country is taking it all in stride, ballots are being printed, and everything is on schedule toward election day. "The timetable of the elections is going very well, nothing is falling behind here," said JCE president Julio Cesar Castanos Guzman. Nothing is falling behind, that is, except Fernandez, say the polls.

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