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UAE - Smooth succession and policy continuity assured following unexpected death of ruler of Dubai

The 62-year old Sheikh Maktoum bin Rashid al Maktoum, Vice-President and Prime Minister of the UAE and ruler of Dubai, died unexpectedly on January 4 from a suspected heart attack while on a trip to Australia. Sheikh Maktoum's younger brother, Sheikh Mohammed bin Rashi al-Maktoum, former crown prince of Dubai and UAE defence minister, smoothly succeed into the position of ruler of Dubai and later to UAE Vice-President and UAE Prime Minister as well.

PRAD View: Dubai's growing status as a trading hub and a leader in economic liberalization among the UAE's seven emirates, will continue under the leadership of Sheikh Mohammed. PRAD fully expects that policy-making will remain largely unchanged. This follows from the fact that Sheikh Maktoum allowed Sheikh Mohammed to pursue a highly active role in policy-making in Dubai over the years to the extent that some observers considered him as Dubai's *de facto* leader and the main architect behind the emirate's fast-paced economic development policies. Accordingly, foreign investors can expect continued political and policy continuity in Dubai in the years ahead. (S. Sottimano)

Yemen - Spike in kidnapping activity

The kidnapping of foreigners by local Yemeni tribes as a means to force concessions from the central government resulted in an estimated 200 incidents in the mid to late 1990s. While in most cases, the captives were treated as "guests" and released unharmed, the incidents contributed to Yemen's image of a lawless state where foreign visitors were at risk. Following the imposition of government laws in 1999 making kidnapping a capital offence, Yemen witnessed a significant decline in the number of kidnappings with only a handful over the course of the last few years. Unfortunately, this positive trend reversed itself in late 2005 with four kidnapping incidents in the space of two months. The incidents involved German, Swiss, Italian and Austrian nationals in the

Marib and Shawba governates, with the majority of abductors demanding the release of imprisoned tribal members.

PRAD View: All the hostages have since been released unharmed and the Marib and Shawba governors have consequently been fired. Nevertheless, the incidents have raised security risks for foreigners in Yemen and threaten to disrupt Yemen's growing tourism industry – a key earner of foreign exchange. The resurgence of kidnapping as a tool also underscores the negative repercussions of the state's use of strong-hand tactics to control the tribes through arrests instead of addressing the wider social and economic factors which threaten the Yemeni state. (S. Sottimano)

SOUTH AMERICA / AMÉRIQUE DU SUD

Bolivia and Chile - Elections results and early implications

In the past month, South Americans in Bolivia and Chile elected new leaders. In Bolivia, Evo Morales of the Movimiento al Socialismo (MAS) won a resounding victory in the December 2005 general elections. He secured an absolute majority in the House of Representatives and successfully garnered the support of key independent Senators in order to secure control of the Senate. In Chile, Michelle Bachelet of the Socialist Party won by a convincing margin in a run off vote held earlier this month. Her Concertación coalition had previously secured a majority in both houses in the December 2005 legislative elections.

PRAD View: Both leaders will enjoy the necessary support in their respective legislatures to enable policy progress (although reforms requiring a two-thirds majority will be challenging). Despite the fact that both leaders are branded as "leftist" politicians, it is widely expected that Bachelet will be much more moderate and pragmatic than Morales. Morales was inaugurated on January 22 and formed his cabinet which is largely comprised of radical opponents of the previous governments' neo-liberal policies. PRAD expects changes to the investment environment in Bolivia which will be beneficial for Bolivian sovereignty over natural resources, but detrimental to foreign investors' interests. Bachelet will name her cabinet shortly and is to be inaugurated on March 11. Given the significant Canadian interests in these two markets driven by their mineral wealth, PRAD will undertake a further assessment of the impact of these electoral results and publish more detailed policy analysis in the month to come. (D. Bergevin)

SOUTH ASIA / ASIE DU SUD

Vietnam - New legislation improves commercial climate in Vietnam in advance of WTO accession

In preparation for its expected accession to the WTO in the second or third quarter of 2006, Vietnam is undergoing somewhat of a transformation in its regulatory environment as it pertains to commercial practices. Given the expectations that come with WTO membership, the Vietnamese government has been moving ahead at a slightly uncharacteristically feverish pace to enact legislation to improve its investment environment. During a year in which the Vietnamese economy grew by 8.4%, the Vietnamese National Assembly passed two important pieces of legislation in November 2005: The Law on Investment and the Enterprise Law. The new Enterprise Law deals with the internal governance structure of firms, regardless of whether they are private or state-owned enterprises (SOEs) and establishes four legal types of business: Limited liability companies, shareholding companies, partnerships and sole proprietorships. All Vietnamese SOEs must convert to limited liability or shareholding companies by July 1, 2010. The Law on Investment establishes regulatory provisions for investment including: foreign investors must register projects worth VND 300 billion or less and must obtain an investment

certificate; and both domestic and foreign investors must register projects valued over VND 300 billion and obtain an investment licence that will be decided upon through an appraisal mechanism.

PRAD View: Both pieces of legislation reflect the growing view in the Vietnamese government that Vietnam needs to rationalise its legislation in these areas so as to better integrate itself into the global economic system. The WTO accession process is the key driver behind these actions, yet the process has been delayed and there is now increasing pressure for the country to enter the WTO around the time of the 10th Party Congress of the Vietnamese Communist Party in the second quarter of 2006. Although the new legislation is a positive development, there are bound to be challenges in implementing both laws. Firstly, the Vietnamese government typically does not publish regulations and implementation provisions of laws until well after legislation has been passed, thus creating somewhat of a regulatory vacuum. Secondly, Vietnam continues to experience significant levels of corruption and poor corporate governance both of which could limit or undermine the impact of the new legislation. The success of the new laws will not be apparent in the short-term, their impact will only be felt in the medium-term as other reforms that will buttress and support them are initiated and implemented. (A. Bennett)

SUB-SAHARAN AFRICA / AFRIQUE SUBSAHARIENNE

Africa - Sudan withdraws its bid to chair the Africa Union due to the ongoing crisis in Darfur

Sudanese President Omar al-Bashir announced during this week's AU Summit in Khartoum that he would withdraw his bid to assume the body's rotating chairmanship. This decision was a break with tradition as it is customary practice for the leader of the country hosting the summit to assume the position for a one year term. However, due to the ongoing conflict and humanitarian crisis in Darfur, within which the Sudanese government has been implicated (see PRAD analysis of 11/08/04 at: https://www.edc.ca/docs/ereports/na/ame/sudan_081104_e.htm), and the active participation of the departing AU Chair in attempting to resolve the crisis, it was determined by African Heads of State that President al-Bashir would be an unsuitable Chairman at the moment. As a result, President Denis Sassou-Nguesso of the Republic of the Congo was elected Chairman until 2007 when al-Bashir is slated to assume the title.

PRAD View: Sudan's decision to defer its claim to the AU chairmanship is significant as it is an indication of the growing willingness of African leaders to confront each other on issues related to their countries' internal affairs, which had long been considered off-limits. The emergence of such willingness bodes well for the effectiveness of the African Union in managing future humanitarian crises on the continent.

Perhaps more importantly, the decision will allow the AU to maintain a leading role in attempting to resolve the conflict in Darfur, the continent's most pressing crisis. However, the incoming Chairman does not have the stature of his predecessor (Nigerian President Obasanjo) and is therefore unlikely to have as great an impact on negotiations. In spite of the likely diminished influence of the AU Chairman, the continued involvement of the AU in the Darfur process, which could have been jeopardized under a Sudanese Chairman, is essential. (P. Whelan)

THE CARIBBEAN / LES CARAÏBES

Haiti - The case for keeping a date with voters

If all goes well, Haitians will go to the polls in less than two weeks to elect a new President. Over the past year, the United Nations and international supporters have accommodated repeated

postponements of elections originally scheduled for October 2005. Both domestic and international organizations, including the interim government and the UN stabilization mission, have been blamed for the delays. The result has been an increasingly charged atmosphere, and more opportunities for opposing interest groups to destabilize the country in order to thwart each other or the election process.

Key players are putting additional emphasis on keeping the February 7 election date. The UN special envoy has used relatively strong language to signal that new excuses for postponement will not be accommodated as easily as they have in the past. The leaders of the interim government have indicated that they may step down before mid-February, elections or no elections, which adds some urgency. There are signs that other interested parties are betting on a resolution in the near future. For example, CARICOM leaders recently issued a statement of support for Haiti, and have followed up with concrete steps to engage the interim government.

PRAD View: Keeping the election date is only one of the challenges in ensuring that the elections are credible in the eyes of the majority of voters. Security on voting day and logistics remain critical areas requiring additional attention. Given the current atmosphere and complicated nature of politics in Haiti, not all issues will be resolved by election day. On the other hand, it is likely that the local and international perceptions of electoral process credibility will decline to dangerous levels if the process does not result in a new, democratically elected leader for Haiti in the near future. (B. Grinfeld)



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