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Unasur arrives in Caracas to the perfect narrative

The Venezuelan military high command emitted an unusually long (780-word) communiqué in response to the arrest of three generals accused by President Nicolás Maduro of plotting a coup d'état, in which it congratulated itself on its "coherent" conduct in the face of "the situation denominated a soft coup" taking place in Venezuela since 12 February. If that were not politicised enough, the statement went on to declare that the "monolithic" Bolivarian national armed forces (FANB) is no longer the "elitist and removed-from-the-everyday" institution of yore, and that thanks to its "supreme and eternal commander", Hugo Chávez (1999-2013), its fundamental priority now is to achieve "the wellbeing of all Venezuelans", and to be "at the forefront of the country's development".

President Maduro announced the arrest of three air force generals accused of trying to foment a coup against "the legitimate, constitutional government" during a live televised meeting (on the evening of 25 March) with a visiting delegation of foreign ministers from the Union of South American Nations (Unasur). Maduro said they were linked to the opposition, although notably, the alleged ring leader, General Oswaldo Hernández Sánchez, was a former deputy education minister under Chávez.

Hours beforehand, Electric Energy Minister Jesse Chacón had accused criminal elements of provoking two fresh power blackouts affecting the capital that threw public transport and other services including hospitals into disarray. These dramatic incidents (rather conveniently) allowed the Maduro government to present 'live evidence' to the visiting Unasur delegation that the democratically elected government is under sustained attack from far right-wing opposition elements in receipt of financial and logistical support from external sympathisers in Colombia and the US.

Also that same day, the government-aligned supreme court threw a second opposition mayor in jail, while the tough-talking president of the national assembly, Diosdado Cabello, confirmed that the high-profile opposition deputy, María Corina Machado, has been summarily sacked from the legislature. All this complicated the task of the Unasur delegation, which was to spend 48 hours in the country and has been asked by President Maduro to lend support to a 'national peace conference' and two truth commissions (one political, one economic) that he has set up in response to the 'war' being waged against his administration.

The delegation included the foreign ministers of Colombia, María Ángela Holguín; Argentina, Héctor Timerman; Bolivia, David Choquehuanca; Uruguay, Luis Almagro; and Brazil, Luiz Alberto Figueiredo; as well as the current Unasur secretary general, Alí Rodríguez (who formerly served as foreign minister and finance minister under Chávez).

Sicad 2

The Sicad 2 system finally launched on 24 March, after several delays. The Sicad 2 rate was around BF52/US\$ on 27 March, a lot higher than its expected rate of between BF25-BF40/US\$, and eight times the official rate, indicating that the government was prepared to let the currency go initially, in the hope of killing off the parallel rate. The premium between the Sicad 2 rate and the parallel rate is likely to remain high initially, given the scarce dollar supplies in the country. Curiously, the parallel rate was trading at BF75/US\$ on 27 March, back out from BF66.7/US\$ on 20 March, suggesting that some people sold off a lot of dollars before the new system launched. Fitch cut its Venezuela debt rating again; however, Venezuelan bonds rose this week, as the latest measures encouraged investors. The opposition slammed a devaluation of “88%”. That figure is alarmist – there has already been a sizeable cumulative devaluation over the past 18 months as shopkeepers used the soaring parallel rate to set prices – assuming that domestic market supplies now improve, the price pass-through to consumers might not be that dramatic.

Although the Maduro government reportedly tried to dictate a fairly narrow agenda for the invited Unasur visitors (prompting public complaints from Colombia and Paraguay), they did meet leaders of the main opposition alliance, Mesa de la Unidad Democrática (MUD), as well as student leaders and other political groups. Ecuador’s foreign minister, Ricardo Patiño, stressed that the delegation “has the obligation to meet all the sectors with relevant presence in Venezuela, for concrete advances”.

On 6 March, announcing a meeting of Unasur foreign ministers in Chile to discuss Venezuela, Patiño’s boss, President Rafael Correa, had declared that Unasur was “going to take the side of truth”. In typical Correa fashion, he went on to define the truth himself. “The truth is that the accosted is the legitimate government of Venezuela; that Nicolás Maduro is a humanist and would never be capable of repressing his own people,” Correa said. “Within these protests, there are people paid, with foreign money, looking to destabilise the legitimate government”. It is exactly these kinds of ‘pre-emptive comments’ that prompted the MUD’s *de facto* leader Henrique Capriles Radonski to dismiss Unasur as “a defender of governments” (and therefore, in his view, inherently biased). Machado, meanwhile, snapped that “indifference is complicity” in reference to the response, or lack of it, of regional governments to events in Venezuela.

Although the MUD is not taking part in Maduro’s national peace conference, and has expressed scepticism about Unasur’s ability to act as an impartial mediator, the MUD general secretary, Ramón Guillermo Aveledo, said the foreign ministers were “very respectful”. Aveledo said he had proposed that they also meet the opposition legislative bloc to get an idea of the “daily situation” in the national assembly, where Cabello rules with an iron fist and regularly prevents the opposition from speaking. For instance, even as Unasur was taking stock of the situation in Caracas, Cabello point blank refused an opposition request for a debate in the assembly on Machado’s demotion, dramatically ordering (again on live TV) that her name plaque be stripped off her congressional seat.

Despite the Maduro government’s obvious intent to use Unasur as a political shield, this mission is a very big test of the Brazil-dominated Unasur’s diplomatic prowess, with the US, in particular, anxious to see it deliver a negotiated solution to the effective political paralysis in Venezuela. Venezuela’s foreign minister Elías Jaua said on 26 March that the delegation had made recommendations to the Maduro government, adding that an official Unasur statement would be forthcoming on 27 March, as we go to press. Expectations for anything beyond another call to national dialogue, however, are likely to be dashed. Better support the devil you know, rather than allow an institutional breakdown and potential social chaos on your doorstep, has long been the thinking in Brasília in particular. And the simple fact is that unless Maduro resigns, the Venezuelan opposition has no legal choice but to sit it out until the 2015 mid-terms and when the option of a recall referendum opens up in 2016.

Machado, meanwhile, returned from Peru as the Unasur delegation was leaving, accompanied by Martín Belaúnde, president of Peru’s congressional foreign affairs commission (and a member of the conservative Partido Solidaridad Nacional), and two other deputies, Cecilia Chacón, a Fujimorista, and Luis Galarreta, of the conservative Partido Popular Cristiano. “We have come to express our support for her and for her parliamentary mandate. There is an absolute denigration of justice; they condemn her without any process. It recalls the darkest days of the dictatorships,” Belaúnde stated.

Bogotá

Rafael Pardo, who won just 4% of the vote when he ran for the presidency for the Partido Liberal in 2010, now holds the second most important elected office in Colombia. He has promised to continue with Gustavo Petro's 'Bogotá Humana' policy programme, but rivals of President Santos are already accusing Santos of seeking to boost his re-election campaign by courting *Bogotanos* with a 'strategic urban development accord' signed this week. This is aimed at investing in improved health and sanitation services; organising more police patrols for areas affected by insecurity; and improving the TransMilenio transport system. Santos also called on farmers to call off a strike planned for 28 April, arguing that there was no justification for it and that it would cause "terrible damage" to the country – and his re-election bid.

ANDEAN COUNTRIES

COLOMBIA-ECUADOR | POLITICS & JUSTICE

Santos faces repercussions over Petro's dismissal

After months of uncertainty when the end came, it came quickly. Within 24 hours of a ruling by Colombia's council of state upholding last December's decision by the prosecutor general, Alejandro Ordóñez, to dismiss the mayor of Bogotá, Gustavo Petro, for gross mismanagement, President Juan Manuel Santos had appointed an interim successor. An eleventh-hour attempted intervention by the Inter-American Commission on Human Rights (IACHR) was batted away by Santos, raising questions about its continued relevance. The demise of Petro, who had risen higher in Colombian politics than any other former guerrilla, could have an impact on both Santos' re-election bid in May and the peace accords with the Fuerzas Armadas Revolucionarias de Colombia (Farc) in Cuba.

Petro reacted to his dismissal, which effectively ends his political career as he is also banned on holding public office for 15 years, by saying that "I know that right now the easiest thing would be to stage a violent uprising", while calling instead for "a peaceful civil strike" to "force the oligarchy to convene a constituent assembly". He announced a tour of Colombia to rally support for a constituent assembly, which is also a key demand of the Farc after the conclusion of any peace accord in Cuba.

The Santos administration has looked askance on the idea of a constituent assembly, but Santos might be more malleable in order to demonstrate that he is open to compromise and that, despite the Farc's claims to the contrary, he was merely complying with his constitutional duty in dismissing Petro and is fully committed to welcoming the future involvement of demobilised guerrillas in politics by enacting the political participation accord struck in Havana as part of the peace talks. The head of the Farc negotiating team, 'Iván Márquez' (Luciano Marín Arango) told the assembled media in Havana after Petro's dismissal last week that Santos had made an "absurd political decision"; seized the mayoralty of Bogotá in "a genuine surprise coup"; and "seriously affected confidence in what has been approved".

While the Farc could well be using the issue as a delaying tactic and to push for more political concessions, Santos is aware that Petro's dismissal does not look great. Santos welcomed prominent leftist politician and former senator Piedad Córdoba to the presidential palace on 25 March to discuss the possibility of adding something to the ballot papers for presidential elections on 25 May to allow Colombians to express their support for the peace accords, possibly paving the way for a constituent assembly. Santos also reopened the debate this week on the need to reform the prosecutor general's powerful remit to fire officials elected by popular vote, implying that he disagreed with Petro's dismissal (which, he said, upset him personally) but stressing that it was entirely consistent with the law as it stands. Santos also insisted that his choice of interim mayor, the labour minister, Rafael Pardo (*see sidebar*) would maintain Petro's government programme, 'Bogotá Humana'.

This all looked like a response to Petro's fierce criticism of Santos. Petro claimed that his dismissal sent out "a disastrous and profoundly violent and anti-democratic message for the pursuit of peace", as it looked like an attempt "to eliminate an ideological rival, violate the popular vote and steal the elections", which, he said, would hardly encourage the Farc "to down arms". Petro urged Colombians to cast blank ballots on 25 May in protest.

Petro also took aim at Santos for ignoring the IACHR's call for precautionary measures in his favour. "Right now President Juan Manuel Santos will not pass

Petro

Gustavo Petro is a talented if divisive politician; his campaign calling on Colombians to cast blank ballots could lose President Santos votes, although it is less likely that it will translate into support for a rival candidate. A loose canon, Petro has fallen out with the candidate for the left-wing Polo Democrático Alternativo, Clara López, who is no threat to Santos in the polls; and Enrique Peñalosa, who potentially could be, is an inveterate political enemy of Petro, who did his utmost to prevent Peñalosa, also a former mayor of Bogotá, from securing the presidential candidacy of Alianza Verde.

into history for achieving peace in Colombia but for having helped to destroy the IACHR..." Petro said. "A sad page in history." He said Santos had broken a historic tradition of Colombian heads of state for abiding by IACHR rulings, adding that "not even Álvaro Uribe" (2002-2010) had dared to ignore them.

This is rather different though. In the past, IACHR rulings have been related to protecting the life and physical integrity of judges who have received death threats, for instance, or communities that have been uprooted. The Petro ruling broke new ground and Santos had little choice but to ignore it for two reasons:

1) It implied that Colombia's judicial system was dysfunctional - accepting the precautionary measures would have set a precedent and could have led to an avalanche of legal cases by other officials dismissed by the prosecutor general, past or future, at the IACHR;

2) Santos would have looked inconsistent. Last September he justified his decision to refuse to apply a ruling by the International Court of Justice (ICJ) at The Hague over a maritime dispute with Nicaragua on the grounds that it contravened the constitution [WR-13-36].

Naturally Santos did not mention either of these reasons. Instead he justified his decision to ignore the IACHR ruling on the grounds that it was an "alternative and complementary" system of justice "when the country's institutions are not functioning, but in this case they functioned promptly and efficiently". Notwithstanding the justice of Santos' explanation, the open defiance of the IACHR raised questions about its continued relevance, especially when, days later, the Ecuadorean government rebuffed the supranational body (*see below*).

ECUADOR | POLITICS & JUSTICE

Correa wins defamation case over 'coup'

The opposition is accusing President Rafael Correa of stepping up political persecution in the wake of the setback his party Alianza País (AP) suffered in municipal elections on 23 February. On 17 March Judge Lucy Blacio ratified her original ruling from September 2013 sentencing Cléver Jiménez, the leader of the indigenous movement Pachakutik, and the journalist Fernando Villavicencio to 18 months in prison, and trade unionist Carlos Figueroa to six months in jail, for defamation; she also ordered them all to apologise publicly and pay Correa US\$140,000. The Inter-American Commission on Human Rights (IACHR) requested that the Ecuadorean State adopt precautionary measures to suspend the ruling but this was rejected by Ecuador's foreign minister, Ricardo Patiño, who said the supranational body was exceeding its jurisdiction.

The three men had originally requested that the attorney general's office investigate President Correa's responsibility for the deaths of five people during the September 2010 police mutiny, which he claims was a coup attempt, but their suit was rejected by the national court of justice (CNJ), Ecuador's top court, as "malicious and reckless". In May 2012, Correa countersued for defamation and was successful. The three men were found guilty of abusing the judicial system and for slandering Correa.

The defendants had appealed against their sentences but the appeals court threw out all of their arguments, one of which was that Blacio was not qualified to strip Jiménez of his legal immunity from prosecution as a deputy. Their request for Blacio to be recused was also denied. On 21 March Blacio issued arrest warrants for them. Correa announced on his weekly broadcast 'Enlace Ciudadano' on 22 March that Jiménez had been captured that morning in Quito. The prefect of the south-eastern province of Zamora

Judge Blacio

Judge Lucy Blacio came 45th in the test to be selected to sit on the national court of justice (CNJ) but scored 10 out of 10 in the personal interview, elevating her overall position to 21st, and as such securing the last place available on the 21-strong body which took shape in January 2012. Blacio was previously a member of the council of citizen participation and social control (Cpccs), the fifth branch of government created under the 2008 constitution to appoint the nominating committees to select senior public officials. The traditional opposition has always been critical of the Cpccs, which it claimed was composed predominantly of government loyalists and was mere putty in President Correa's hands, but for many of those who drew up the constitution it was the crowning glory of the 'Citizens' Revolution'.

Chinchi, Salvador Quishpe, a member of Pachakutik, promptly denied the claim, saying Jiménez and Figueroa were being sheltered by Amazonian communities in his province and would never be given up (Villavicencio fled the country for the US in January).

Correa, who later issued a rectification, has determinedly pursued the three men. "Now it is me that is judicialising politics," he said. "They present false accusations [...] against me. This in any part of the world is punished. They think that if you are a politician or a journalist (frequently the same), you cannot be put on trial. In other words, impunity. Under the rule of law, crimes, not people are pursued, irrespective of who commits them," Correa said.

Correa's lawyer, Caupolicán Ochoa, said there were no plans to pardon the men as in March 2012 when Correa dropped the charges against the three directors and columnist of the national daily *El Universo* whose sentences to three years in prison and a US\$40m fine for criminal libel had been upheld. Correa's clemency carried threatening undertones then though as he devoted pages to excoriating the media, claiming he had been the victim of a defamation campaign ever since he came to power in 2007 because he had refused to go for slap-up lunches with media barons or appoint their relatives to ambassadorial posts as under past administrations. He also took aim at the IACHR, which had called on his government to suspend the sentence until a hearing between the two parties could be held.

The IACHR once more tried to intercede in a defamation case, calling for precautionary measures to suspend the ruling against Jiménez et al on 24 March. The IACHR concluded that "After analyzing the allegations of fact and law presented by the parties, the Commission believes that the information presented shows prima facie that the rights of Messrs. Fernando Alcibiades Villavicencio Valencia, Cléver Jiménez, and Carlos Eduardo Figueroa Figueroa are in a serious, urgent situation of irreparable harm." Foreign minister Patiño responded by saying the IACHR was only empowered to make recommendations not precautionary measures; he might have added that the judicial process in Ecuador had been followed.

Colombia's President Juan Manuel Santos provided a similar justification for ignoring the IACHR's ruling in favour of Bogotá's mayor Gustavo Petro. The two cases are not entirely analogous though: Santos did not launch the legal action against Petro, while Correa's frequent recourse to legal action against those accused of slandering him, including the cartoonist Bonil [WR-14-05], raises serious questions about freedom of expression; and Ecuador, unlike Colombia, has made a habit of ignoring rulings handed down by the IACHR, which Correa argues is controlled by the US and used by it to persecute progressive governments in the region.

TRACKING TRENDS

PERU | Petroperú share sale. On 24 March the government published guidelines governing the sale of up to 49% of shares in the state-owned oil firm, Petroperú. In December last year congress approved a proposal by the government to open up Petroperú to private participation for the first time as part of plans to reorganise the firm in order to strengthen its corporate governance and help raise funds to conduct the proposed US\$3.5bn upgrade of Petroperú's ageing Talara refinery; increase its fuel production levels from 65,000 barrels per day currently to 95,000bpd; and eventually cut some of the country's fuel imports.

According to the share sale guidelines published in the official gazette, Petroperú will hold an Initial Public Offering (IPO) in the local stock market open to all investors. To this effect Petroperú will now contract an investment that will assist it with the IPO process, as well as an international consulting firm that will help it design the firm's reorganisation strategy which will include the restructuring of its physical and financial assets, its operations and corporate governance.

Bolivia's Pacific claims

While President Bachelet is seeking to address the causes of protests at home, the cause of the biggest diplomatic conflict Chile faces remains. Bolivia's President Evo Morales issued a challenge to his Chilean counterpart, without directly naming her, on the 'Day of the Sea' on 23 March: "If a dictator like Pinochet proposed an outlet to the sea for Bolivia in the 1970s, we hope that a democratic socialist government can make this right a reality in the 21st century." Morales said Bolivia would present its arguments to the International Court of Justice at The Hague over its claims to a Pacific coastline on 17 April.

Bachelet unflustered by 'march of marches'

At first glance the staging of a march just 11 days after taking office looks like a dangerous development for any new head of state. But President Michelle Bachelet was well aware of the social climate in Chile when she ran for a second term and will have been unperturbed by the self-proclaimed 'march of marches' held in Santiago on 22 March. In the first two weeks of her second term in office, her government has made significant overtures to students, the indigenous Mapuche, environmentalists and gay rights groups. Each of Bachelet's cabinet ministers has been tasked with moving swiftly to forge ties with social organisations, often recruiting prominent former protesters into their advisory teams, to help contain, if not entirely defuse, any protests. But while this might work in the short-term, Bachelet is raising expectations that her government will deliver on numerous fronts.

The 'march of marches' was staged by some 40 social organisations, calling for free and quality education, same-sex marriage, and measures to combat climate change, although the overarching demand was for a new constitution to be drawn up by a constituent assembly. Oscar Rementería, the spokesman for the lesbian, gay, bisexual and transgender movement (Movilh), one of the principal organisers of the march, said it was not "a demonstration either for or against [President] Bachelet, just a call to attention to the political class" not to neglect public demands. Bachelet herself has made a similar call to attention to congress over the need to heed the public pressure for constitutional reform, although she has been equivocal on whether this requires a constituent assembly, not least because of legal uncertainties surrounding it [WR-14-10].

The organisers claimed some 150,000 people took part; the Carabineros military police put the figure at just 25,000. Crucially, student federations and trade unionists, who have pushed up the size of demonstrations significantly in recent years, did not attend. The government successfully undercut support for the march by making early gestures to both sectors.

The education minister, Nicolás Eyzaguirre, extended an invitation to the main confederation of university students (Confech) to meet him before the end of the month to discuss the government's planned education reform. While student leaders stressed that they could stage marches in the future to "keep alive" their demands for free and quality higher education, they decided that it would send the wrong message to take part in a march so soon after agreeing to take part in a dialogue process. Eyzaguirre has a former president of the Federación de Estudiantes de la Universidad Católica (Feuc) and one of the student advisers behind the big protests in 2011, Miguel Crispi, on his team and just last week added another student leader from those protests, José Manuel Morales, who will play a key role in talks with the Confech.

Within 48 hours of assuming their posts on 11 March, both the finance minister, Alberto Arenas, and the labour minister, Javier Blanco, had held meetings with the umbrella trade union, Central Unitaria de Trabajadores (CUT), whose vice-president, Nolberto Díaz, hailed the arrival of "spring [...] more dialogue with the new authorities, accompanied by announcements that amount to changes".

Bachelet was determined to maintain open channels of dialogue for more fluid communication with social organisations after seeing the way her predecessor, Sebastián Piñera (2010-2014), obsessed with hitting long-term targets, was constantly caught by surprise by the scale of protests, especially over education and the environment, but was also found wanting when it came to predicting social unrest, such as the protests over gas price increases in the southern region of Magallanes in January 2011.

Bonus bills approved

President Bachelet sent to congress the first of 50 bills planned during her first 100 days in power on 13 March. The 'March bonus' and 'winter bonus' were swiftly approved. The Ch\$40,000 (US\$70) 'March bonus' will be paid to 1.6m low income families every year in March, a month associated with high costs; it was introduced during Bachelet's first administration (2006-2010) and maintained by her successor, Sebastián Piñera (2010-2014). The "winter bonus" for the elderly, however, was discontinued by Piñera "without a clear explanation", Bachelet said. The bonuses will be adjusted on an annual basis to reflect changes in the consumer price index (CPI).

Delays equal demonstrations

Before her return to power, Bachelet called on her cabinet ministers to move quickly to ensure the approval of 50 measures promised within her first 100 days but also to tune their political antennae to social wavelengths; and to be pro-active, seeking the participation of the main representatives of directly applicable social movements, for instance, to add legitimacy and minimise backlash to government policies.

It is for this reason, first and foremost, that Bachelet sought to incorporate the Partido Comunista de Chile (PCCh) into her Nueva Mayoría alliance because of its influence with trade unions and student organisations and, by extension, its ability to anticipate possible conflicts. She has also ordered a re-orientation of the national intelligence agency (ANI) to detect potential conflict areas and pre-empt protests rather than allowing them to rear up and catch the government unawares. Bachelet re-appointed Gustavo Villalobos whose six-year tenure (2004-2010) at the head of the ANI coincided in large part with her first term (2006-2010).

Environment, gay rights and indigenous overtures

The government has made early gestures to environmentalists, gay rights activists and the Mapuche. The environment minister, Pablo Badenier, announced this week that studies tendered by the Piñera administration into how the proposed HidroAysén mega dam in Chilean Patagonia could affect the volume of water in rivers and a nearby glacier would not be carried out because of "unlawful flaws". Badenier, who met activists opposed to the initiative, said the studies should have been included in the project's original evaluation process. Bachelet argued during her campaign that HidroAysén was not viable in its present form. Badenier also withdrew the so-called 'Monsanto bill', named after the US biotechnology firm, from congress: protesters claimed it would extend benefits to large companies producing seeds at the expense of small farmers.

Meanwhile, the justice minister, José Antonio Gómez, has said that the government will push through a reform of the civil code to grant same-sex marriage the same status as heterosexual marriage, one of the big demands of Movilh, and Francisco Huenchumilla Jaramillo, the newly appointed intendant of the region of Araucanía, the ancestral homeland of the Mapuche, made an unprecedented official apology to the Mapuche on behalf of the State. "The State was mistaken and made mistake after mistake, and to this day there has been no compensation; in my capacity as intendant I come to apologise to the Mapuche people for the theft of their lands by the State and also to the *colonos* who came from afar because the Chilean State brought them to an inadequate place at an inopportune time," Huenchumilla said.

Huenchumilla, a Mapuche and former mayor of Temuco, the capital of Araucanía, not only called on big forestry companies and water companies to assume their responsibilities and assist with a solution to the conflict but also criticised the anti-terrorist law drawn up under the dictatorship of Augusto Pinochet (1973-1990) and applied by successive governments since: "[It] does not comply with international standards; it doesn't pass the test of democracy, and has not had the desired effects; the violence has not stopped. We are facing a political problem here and it is political solutions that we need."

The Mapuche conflict, of course, is not going to be resolved by rhetorical gestures alone - breaking through the layers of distrust will be very difficult - but this was a significant moment nonetheless. The radical Mapuche group, Coordinadora Arauco Malleco (CAM), responded to Huenchumilla's apology with a dismissive letter, but Huenchumilla was received by the leader (*werkén*) of the more moderate Temucuicui Autónoma, Jorge Huenchullán, arriving without an escort of Carabineros to discuss Mapuche territorial claims.

PMDB backs down over internet law

After two years and seven months of struggles, negotiations and intense lobbying, Brazil's lower chamber of congress approved the landmark civil rights framework for the internet, known as the 'marco civil', on 25 March. The text now goes to the senate for approval. The passage of the legislation represents a major victory for the government, given that only a few weeks ago, Eduardo Cunha, the head of the Partido Movimento Democrático Brasileiro (PMDB) in the lower chamber, said he saw no sign of the legislation proceeding. Despite his party's coalition with the ruling Partido dos Trabalhadores (PT), Cunha has been leading a rebellious block of congressional deputies who had threatened to make the next few months very difficult for President Dilma Rousseff. The passage of the 'marco civil' has shown the limits of Cunha's power.

In order to get the legislation through congress, the government conceded a number of points in recent weeks. For instance, the requirement that foreign companies operating in Brazil store data on their users in-country. Internet activists were delighted by this concession, as many believed that such a requirement would be impractical, expensive and compromise user security.

Even without mandating the user data centres in Brazil, President Rousseff wants to promote the framework internationally. In April, Brazil will host the international conference on internet governance, and the government wants to introduce the new law during the event. Once the bill becomes law, it will also provide cover for Rousseff to rebuild Brazil's relationship with the US, which came under severe strain following the revelations about the extent of US spying activity.

The PMDB, however, appeared to be digging in its heels over the key issue of net neutrality. Net neutrality prevents internet service providers from discriminating between websites, precluding any possible deals between a telecommunications company and a social media site to slow access to a third-party site.

In order to secure the PMDB's acquiescence, the executive amended the text to allow greater freedom for telecommunications companies' "business models". It also clarified that telecommunications operators would be allowed to charge different amounts for faster overall internet connection speeds without discriminating against content.

BRAZIL | SECURITY**Rio calls in the army to boost pacification**

Bounded by the highways of the Avenida Brasil to the west, and the Linha Vermelha to the east, the Complexo do Maré sits between the two main roads into and out of the city of Rio de Janeiro. Getting to or from the international airport at Galeão requires passing the sprawling *favela* complex, with its 144,000 residents. As such it remains a strategic location that the state government has long been promising to pacify. Earlier this week, it began the process, bolstering the local police force with personnel from the federal armed forces.

The decision to occupy the Complexo do Maré followed a meeting between President Dilma Rousseff and the governor of Rio state, Sergio Cabral.

“Once the bill becomes law, it will also provide cover for Rousseff to rebuild Brazil's relationship with the US, which came under severe strain following the revelations about the extent of US spying activity.”

“To date, 36 slum areas in Rio de Janeiro have been pacified with more than 9,000 police patrolling neighbourhoods where 1.5m people live. Initial success in evicting the gangs was applauded, but the police operations have been criticised for merely displacing crime to other slums.”

Cabral travelled to Brasília last week in order to request federal assistance in the wake of an upsurge of violence against a number of police pacification units (UPPs). Over the course of the night of 20 March, four UPPs were attacked by criminal gangs in Manguinhos, Arará/Mandela, Camarista Méier and Complexo do Alemão.

The Complexo de Manguinhos UPP suffered the most severe damage during the March 20 attacks. Two UPP vehicles and five support bases were burned, and three military police officers were shot, including the UPP commander.

“Organised crime groups are using these cowardly attacks to try [...] to destabilise the police presence in these communities, creating panic and unrest in the communities and causing casualties among the military and the civil police,” Cabral said at a press conference after meeting President Rousseff. “We have no problem asking federal forces for support. The state must show its strength, its unity and its ability to triumph over organised crime.”

Cabral added that the homicide rate in the pacified areas has fallen by more than 65% since the UPPs arrived, and that it was crucial the programme be sustained. “Criminals want this policy to fail,” Cabral said. “But most of society wants this policy to be successful and to become a government-wide policy.”

Following the meeting with Rousseff, all of the city’s UPPs have received reinforcements and the military police began the occupation this past weekend. Personnel from the armed forces, comprising troops from the civil, military and federal police units – and the armed forces (army, navy and air force) have been deployed to the *favelas* indefinitely.

Since the 2008 installation of the first UPP, in Santa Marta, 11 UPP police officers have been killed, including four in the past two months. The actions against the UPPs have been increasing in intensity since the beginning of February, when soldier Alda Rafael Castilho was fatally shot in front of the UPP in Parque Proletariado.

To date, 36 slum areas in Rio de Janeiro have been pacified with more than 9,000 police patrolling neighbourhoods where 1.5m people live. Initial success in evicting the gangs was applauded, but the police operations have been criticised for merely displacing crime to other slums.

An estimated 600,000 foreign football fans will arrive in Brazil for the World Cup in June. Seven games will be played in Rio, including the tournament’s final on 13 July, in the legendary Maracanã stadium located a few miles from the Manguinhos slums.

ARGENTINA | ECONOMY

With a little help from its friends

On 25 March, the US supreme court revealed that Mexico, France and Brazil had presented statements of *amicus curiae* (friend of the court briefs) to the judicial body in support of Argentina’s case against its holdout bondholders. A further seven petitions were entered by private organisations and individuals, including Nobel-prize winning economist Joseph Stiglitz. The briefs argued that if the ruling is not reversed and Argentina is forced to pay the holdouts, who rejected debt restructurings after Argentina’s 2001 debt default, it could set a precedent that would make future sovereign restructurings more difficult and costly, potentially compromising the stability of global financial markets and the sovereignty of nations.

“Buenos Aires is Argentina’s most populous region, and around 3.5m pupils are being affected by the strike, which started on the scheduled start of the school year on 5 March. Despite a court injunction ordering the teachers back to work, the walkout continues. The start of the 2013 school year was also delayed by a teachers’ strike over pay levels.”

Although the US government itself abstained from filing a brief to the court, Argentine officials now hope that support from Latin America’s two largest economies as well as a member of the G7 will increase the chances that the US supreme court will ask for the opinion of the US solicitor general.

The US supreme court is due to decide whether to take the case by late May after Argentina asked it in February to review the court order requiring it to pay US\$1.33bn to creditors led by the hedge fund, NML Capital, part of billionaire Paul Singer’s Elliott Management.

If the supreme court agrees to hear the case, analysts say a decision would be most likely during the court’s next term, which starts in October and ends in June 2015. If the solicitor general is asked to give an opinion first, the case is more likely to extend into next year, when the term of Argentina’s President Cristina Fernández ends.

ARGENTINA | POLITICS

Teachers’ strike continues unabated

Representatives of the Buenos Aires provincial government failed to reach an agreement with the striking teachers’ unions in the province on 26 March. Miguel Díaz, the leader of the provincial teachers’ union (UDOCBA), told reporters that the administration of Governor Daniel Scioli had not presented a new proposal, adding that “they only promised us they would continue discussing and negotiate again in September”. The unions are demanding a 35% pay increase; so far the government has only offered 30.9% spread over two instalments.

Speaking after the break-up of another round of talks, Díaz said: “They have to give us 6,400 pesos [US\$800] which is what we demand. The government has the resources to match the salary offers in Santa Fe, Capital and Córdoba.” In response, Scioli’s education minister, Nora de Lucía, urged teachers to return to their classrooms and follow the injunction passed by provincial judge Francisco Terrier on 23 March.

The judge confirmed that the government’s offer consisted of a 30.9% raise in two instalments, with the possibility of opening up negotiations towards August. “We teach all our students how to exercise their rights and that is why we should set the example,” De Lucía said, having failed to convince teachers to end industrial action.

The leader of the Sindicato Unificado de Trabajadores de la Educación de Buenos Aires (SUTEBA), Roberto Baradel, on the other hand, also confirmed the continuation of strike action and underlined: “We came to this negotiation with a proposal of 35% and we have received a repetition of the previous offer.” The unionist called for a “dignified proposal” from provincial authorities, maintaining that teachers were willing to find a solution. “We know all about the inconveniences this creates, but in order for schools to open dignified salaries should be guaranteed,” he stated.

Buenos Aires is Argentina’s most populous region, and around 3.5m pupils are being affected by the strike, which started on the scheduled start of the school year on 5 March. Despite a court injunction ordering the teachers back to work, the walkout continues. The start of the 2013 school year was also delayed by a teachers’ strike over pay levels.

Banco do Brasil

On 22 March Brazil's state-controlled Banco do Brasil announced that it had raised US\$1bn from a syndicated loan with a group of 22 other banks. This is the first time that Banco do Brasil, Latin America's largest bank, has resorted to such an operation in a bid to raise capital. In recent years, syndicate loans have become a popular alternative way for banks and other firms to raise funds quickly as these operations take considerably less time to be concluded than a bond issue. According to a Banco do Brasil statement, the bank obtained the loan in two tranches- a US\$700m three-year loan at an interest rate of 1.35 percentage points higher than the six-month London Interbank Offered Rate (Libor) and a US\$300m four-year loan at an interest rate 1.5 percentage points higher than Libor.

BRAZIL | S&P downgrade. On 24 March the credit ratings agency Standard & Poor's (S&P) announced it was downgrading Brazil's sovereign debt rating from BBB to BBB-. Though anticipated, the timing of the decision surprised some market watchers and government officials, who expected the news to come after October's elections. The fact the downgrade has come now shows the extent of the gloom pervading market analysis of Brazil's future growth prospects.

Brazil had its long-term debt rating downgraded to BBB-, the agency's lowest investment-grade rating. It now ranks below Chile, Colombia, Mexico, Panama and Peru in the region. According to the note the agency published along with the new rating, "the downgrade reflects the combination of fiscal slippage, the prospect that fiscal execution will remain weak amid subdued growth in the coming years, a constrained ability to adjust policy ahead of the October presidential elections, and some weakening in Brazil's external accounts". Fiscal credibility has been "systematically weakened" following cuts in the government's main budget target, the agency said, and loans by state-run banks had "undermined policy credibility and transparency".

Eduardo Campos, the presidential candidate for the opposition Partido Socialista Brasileiro (PSB), told journalists on 25 March that Brazil's fundamentals remained largely sound but that trust in the present government was low. "Brazil has much better fundamentals than many countries, it is on track," Campos said. "What we are confronting I think is, above all, a crisis of expectations and I think we will see the solution when the people have their say in the elections in October."

URUGUAY | Resenting Brazilian investment. On 20 March Luis Alfredo Fratti, the president of Uruguay's national meats institute (Inac), said that he was concerned with the growing presence of Brazilian firms in the local meat processing industry. Fratti's comments followed an announcement by Brazil's Minerva Foods that it had agreed the purchase of the Carrasco abattoir for US\$37m. The purchase turns Minerva, which already owns one abattoir in Uruguay, into the second largest beef processor and exporter in the country, with an 18% market share, behind Marfrig (also Brazilian), which has a 21.8% market share.

The deal will also allow Minerva to enter the local sheep meat processing sector for the first time. Fratti said that Minerva's acquisition of Carrasco will result in further concentration of the local beef processing industry in the hands of Brazilian capital, pointing out that Brazilian firms (besides Minerva and Marfrig, Brazilian food processing juggernaut JBS also owns abattoirs in Uruguay) will now control 41% of this sector's operations.

Fratti said that it was a reason for concern for the government as "if we could choose, it would be preferable to have multinational firms from different nationalities [in the sector], but we can't make that choice". In particular, Fratti explained that just like many local producers, Inac is also concerned with the prospect that the Brazilian firms could start dictating local market policies, such as setting price levels or adopting certain production limits designed to serve Brazilian, rather than local, economic interests.

As soon as Minerva announced its plans to acquire Carrasco earlier this month, Uruguay's influential rural federation (FR) issued a public statement voicing its concern that the concentration of the country's abattoirs in foreign hands was "severely discouraging" local beef cattle breeders. According to the FR, in recent months its members have found it difficult to sell their cattle to local abattoirs as the Brazilian-owned firm in particular appears to be sourcing cattle from across the border. The FR statement warned that the "negative effects" of this situation would "not only harm producers but also all workers linked to the beef industry".

In a bid not to stoke tensions further, Fratti said that the fact that Brazilian firms are investing in Uruguay's meat industry suggests that they see it as a good investment opportunity and that in the long-run such investments would be beneficial for the country. Indeed Fratti recalled that a few years ago the Uruguayan government itself "asked Brazil to look to invest more in Uruguay". He added, "but perhaps we are so small that now we have to tell them 'yes, invest, but not so much!'".

Mayors given cold shoulder

The PAN's interim president, Cecilia Romero, accused the federal government of treating the mayors in Michoacán with "indifference" after the murder of Gustavo Garibay. The implied criticism is that the federal government has fully bought into the claims by 'self-defence' groups in Michoacán that many of the mayors in the 113 state municipalities have actively colluded with Los Caballeros Templarios. The PAN leader in Michoacán, Miguel Ángel Chávez, demanded more respect for mayors and called on the federal security commissioner in Michoacán, Alfredo Castillo, to produce immediate and tangible results to clear up Garibay's murder.

MEXICO & NAFTA

MEXICO | POLITICS & SECURITY

Mayors extorted by criminals - and legislators?

Gustavo Garibay García, the mayor of Tanhuato in the conflict-torn southwestern state of Michoacán, was murdered on 22 March. He had narrowly survived an attempt on his life by organised crime in October 2012 for refusing to pay extortion money. Mayors are not just the victims of extortion from drug-trafficking organisations (DTOs), but also, allegedly, unscrupulous politicians in the federal congress. On 20 March, just two days before Garibay was murdered, a local paper published the results of an investigation which it claimed provided evidence that senior federal deputies were also extorting mayors, demanding 'commission' (dubbed *moches*) in exchange for obtaining more federal resources for their municipalities.

Garibay, who represented the right-wing opposition Partido Acción Nacional (PAN), was gunned down by a group of armed men upon leaving his house. He had been assigned an 18-strong security detail by the federal authorities after the unsuccessful attempt on his life in October 2012 but this was discontinued in August 2013. Garibay had appealed to the federal interior minister, Miguel Ángel Osorio Chong, to have the protection reinstated but to no avail.

The president of the PAN, Gustavo Madero, who is seeking re-election to the post on 18 May, accused the federal and state government run by the Partido Revolucionario Institucional (PRI) of failing Garibay and allowing impunity to reign. Garibay had been attacked in October 2012 for refusing to inflate the cost of a public work project by 50% as demanded by DTOs in the form of extortion money. Madero, meanwhile, is considered a mentor to several PAN federal deputies, including the party's coordinator in the lower chamber Luis Alberto Villarreal, accused of offering to lobby for federal funds for health and education requested by mayors on condition that they use companies chosen by the deputies and overcharge the cost of the public work projects by some 35%, channelling this money back to the deputies through ghost companies. Those implicated vehemently protest their innocence and claim to be victims of a smear campaign.

The scandal first came to light four months ago in a report in the national daily *Reforma* but, on 20 March, a local paper in the central state of Guanajuato, *AM*, published the results of an investigation alleging that companies apparently linked to Villarreal and the leader of the PRI in the lower chamber, Manlio Fabio Beltrones, had received multi-million dollar payments from municipalities in the state of Guanajuato. The report cited witnesses of several conversations held with the PRI mayor of Celaya, Ismael Pérez Ordaz, claiming that Beltrones had offered M\$160m (US\$12m) of public money for road resurfacing in exchange for 'commission' and contracting the companies that Beltrones indicated. These witnesses also claimed Pérez Ordaz had mentioned Villarreal in connection with such schemes. Beltrones roundly rejected the claims for which he said there was no evidence. Pérez Ordaz also denies contact with Beltrones.

At least a dozen mayors, however, have now accused federal deputies of obliging them to pay kickbacks in exchange for allotting federal resources for public works. This would be especially damning if incontrovertible evidence emerged given the death of Garibay for standing up to extortion from organised crime and the fact that federal officials have been dismissive of mayors in Michoacán, some of whom have been accused of colluding with the DTO Los Caballeros Templarios (LCT) by agreeing to pay extortion payments (*see sidebar*). The national federation of Mexican municipalities claims that at least 983 out of the 2,457 mayors in the country (40%) have faced threats from organised crime, and need more federal support.

Hotel Secrets

On 25 March President Enrique Peña Nieto opened a new US\$160m tourist complex in Los Cabos, Baja California Sur. The Hotel Secrets complex will create 800 direct jobs, 600 indirect jobs and is expected to attract some 75,000 visitors a year to the area, which last year already saw a 14% increase in visitors. In a short speech, Peña Nieto pointed out that the development of the complex was made possible thanks to the national tourism promotion fund (Fonatur), which provides assistance and financing for tourism sector investment projects. Peña Nieto added that the concretion of the project underlined his government's commitment to supporting and becoming a partner of private investors that "believe in Mexico and are prepared to bet on the country".

MEXICO | Secondary telecoms legislation. On 24 March the head of Mexico's communications & transport ministry (SCT), Gerardo Ruiz Esparza, submitted the proposed secondary legislation linked to the telecommunications reform promoted by the government of President Enrique Peña Nieto.

Along with a series of other major structural and economic reforms, including energy reform, the telecoms reform was approved by congress last year thanks to the cross-party 'Pact for Mexico' political agreement. The approval of the reforms was hailed as a major boon for Mexico and its future economic development. However, without the accompanying secondary legislation many of the reforms cannot be implemented. The main aim of the telecoms reform is to increase competition in Mexico's highly concentrated telecoms sector in order to break up some of the existing oligopolies that currently dominate it. This is to be achieved through the creation of a new and more powerful autonomous federal regulatory body, the Instituto Federal de Telecomunicaciones (Ifotel), which will be in charge of opening up the market to new players and promoting greater competition among all market actors, with the extent of Ifotel's responsibilities and powers to be spelled out in the secondary legislation.

But problematically for the Peña Nieto administration, as soon as its proposal was submitted to the senate it was jointly rejected by the right-wing opposition Partido Acción Nacional (PAN) and the left-wing opposition Partido de la Revolución Democrática (PRD). The two main opposition parties argue that the proposal "does not reflect the content" of what was agreed under the 'Pact', accusing the government of attempting to dilute the reform due to pressure from vested interests.

In particular the PAN and PRD complained that the proposal seeks to limit many of the powers envisioned for Ifotel and "return them to the executive". By way of an example, they noted that under the proposal the allocation of new TV and radio frequencies would fall under the remit of the SCT, and not Ifotel, as had been agreed to ensure that such decisions should not be tainted by the political considerations of any sitting government.

Mexico's leading broadcaster, Grupo Televisa, has also criticised the proposal on the grounds that the powers conferred on Ifotel, which will have the ability to issue fines of up to 10% of a firm's profits and even revoke broadcast licenses of offending firms, are "excessive". Televisa also complains that the proposed legislation would "impose internationally unprecedented obligations on market leading-firms", that would "disproportionately" harm firms such as Televisa.

In particular, Televisa is concerned with the proposal to give Ifotel the ability to limit market-leading firms' exclusive use of their installed infrastructure and media content, which it claims could seriously undermine their operations. Consequently, the company called on congress to consider carefully the legislation to ensure that "it is fully consistent with the objective of promoting competition and [also] the country's development".

MEXICO | Unemployment levels remain stable. Mexico's unemployment rate in February was 4.65%, the national statistics institute (Inegi) revealed on 24 March. The figure is marginally lower than the 4.85% reported by Inegi in February 2013. However, Inegi pointed out that the seasonally adjusted unemployment figure of 4.73% was identical to the previous year. In addition Inegi also stressed that the proportion of workers that considered themselves to be underemployed (i.e. working fewer hours than they would like to) also remained stable at 8.2%.

More positively, Inegi also found that the proportion of people employed in the informal economy fell from 59.55% in February 2013 to 57.59% in February 2014. Reducing the number of people employed in the informal sector by promoting the creation of more permanent jobs in the formal sector is one of the declared economic objectives of the government of President Enrique Peña Nieto.

The concern for the Peña Nieto administration is that the fiscal reform it recently approved, which increases the payroll tax and burdens businesses with a new unemployment insurance, coupled with the slow rate of economic growth, could detract from its efforts to create more permanent jobs, and encourage growth in the informal economy.

Martelly and congress strike 'historic' accord**Challenges**

The report by the UN Secretary General on Minustah highlights various challenges ahead for Haiti. These include a 57% increase in demonstrations in the first half of the reporting period “particularly in urban areas, most of which had been peaceful and triggered largely by socioeconomic grievances”. The report also highlights as a matter of concern the fact that 600,000 Haitians still face severe food insecurity (out of a total population of some 10m) while the prevalence of acute malnutrition among children rose from 5.1% in 2012 to 6.5% in 2013. Cited as another challenge is the cholera epidemic (which began in October 2010 and which various reports indicate was started by Nepalese Minustah staff) although the report says the number of suspected cholera cases had been significantly reduced, from 352,033 in 2011 to 58,608 cases in 2012.

“An unprecedented step in national political history” is how Sandra Honoré, the head of the United Nations Stabilisation Mission in Haiti (Minustah), described a deal reached last week between the executive and legislative branches of government and political parties. As well as an apparent breakthrough in terms of overcoming the impasse between the two branches of power, stemming from President Michel Martelly’s lack of presence in the legislature, the deal is considered crucial for future political stability; it sets the date not only for overdue elections to replace 10 of the 30 senators whose terms expired in May 2012 as well as municipal officials, but also another third of the senate and the entire 99-member lower chamber, whose seats were up for election.

Nicknamed the ‘El Rancho’ accord, after the hotel in which it was signed by President Martelly, Senator Steven Irvenson Benoit, as well as the various political parties, the deal is significant given the repeated clashes between the two branches of government which have characterised the mandate of Martelly, who took office in May 2011 for a five-year term. These clashes stem from the fact that his party, Repons Peyizan, has just three seats in the lower chamber and no seats in the senate.

The culmination of a process which began on 24 January 2014, brokered by Bishop Chibly Langlois, the El Rancho agreement focuses on three key areas – governance, elections and the constitution. As well as the agreement to set the elections “preferably by 26 October”, it establishes key provisions to be implemented within a 10-day period. As a UN press release notes, these include: “amendment of the Electoral Law to confer the appropriate mandate upon the electoral council; replacement of up to one member of the electoral council by each of the three powers of the State; and a cabinet reshuffle to include individuals drawn from interested political parties”.

In addition to establishing a commission comprising representatives of the executive and legislative branches as well as leaders of political parties and other observer groups, to look at introducing further (unspecified) changes to the 1987 constitution, the El Rancho accord addresses what was the previous bone of contention between the two branches of government causing talks to break down last month [WR-14-08]. Namely, President Martelly’s refusal to publish the names of 10 new members of the superior court of auditors, Court Supérieure des Comptes et du Contentieux Administratif (CSC/CA), which is tasked with auditing government accounts. The agreement provides for a “resolution without delay” regarding the publication of the list.

More cause for optimism

Ten days after the deal was signed, Honoré presented the most recent report on Minustah by the UN Secretary General, before the UN Security Council, which noted other signs of progress vis-à-vis stability – namely improvements in security. According to the UN report, the total number of homicides in 2013 (817 reported cases) was 21% lower than in 2012, reversing a five-year trend. Equally important, the total number of kidnappings in 2013 decreased by 53% compared with 2012 (absolute figures were not provided), although the average monthly number of reported rapes showed a slight increase to 33.8, compared with 30.5 during the previous reporting period.

The UN report also noted various improvements vis-à-vis Haiti’s national police, deemed essential before Minustah, which marks its 10-year anniversary in June, can be withdrawn. The report highlights that close collaboration between the Minustah police component, the “Superior

More allegations against Flores

On 22 March in his weekly radio programme, *Conversando con el Presidente*, El Salvador's President Mauricio Funes called on the attorney general, Luis Martínez, to speed up the investigation into former President Francisco Flores, who has been accused of misappropriating some US\$10m in funds from Taiwan [WR-14-02]. Funes also said that there were question marks over Flores' use of other funds. These include: US\$4m earmarked for rebuilding housing following the 2001 earthquake; US\$29.84m from an Inter-American Bank (IDB)-Taiwan loan for temporary emergency accommodation for winter; US\$100m earmarked for agriculture by El Salvador's multi-sectoral investment bank (BMI) obtained from Taiwan's Export-Import bank and US\$7.82m for programmes to reduce pollution. Funes said that he wasn't saying that Flores had this money but "these funds were not disbursed."

Council of the National Police and the Haitian National Police hierarchy...have resulted in a more robust implementation of the...key priorities [of the national police development plan for 2012-2016]." Honoré said that Minustah, together with international partners, continued to offer support "with the aim of passing 15,000 active police officers by 2016, up from the current strength of 11,228" (and 5,000 in 2004).

The report also outlines various possibilities regarding possible changes to the configuration of Minustah. Honoré summarised these as "the establishment of a special political mission alongside a smaller, more focused peacekeeping operation and no military presence; the possible increase in the United Nations police presence countrywide; and an adjustment of the Mission's current mandate in order to align it with progress towards completing the National [2012-2016] Consolidation Plan". She said that Minustah was on target to reduce its uniformed strength by 15% and reach its mandated strength of 5,021 troops by the end of June.

GUATEMALA | JUSTICE & DIPLOMACY

Portillo makes key admission

It might have taken nine years but last week former president Alfonso Portillo (2000-2004) admitted that he had received US\$2.5m in bribes from Taiwan. He made the admission as part of a guilty plea in the US, where he was extradited in May 2013 to face money laundering charges after having been acquitted in Guatemala in 2011 for other corruption charges. It signals the second time in less than six months that Taiwan's cooperation with Central America (which, bar Costa Rica, maintains diplomatic links with Taipei rather than with mainland China), has come under the spotlight. In El Salvador former president Francisco Flores (1999-2004), of the main right-wing opposition Alianza Republicana Nacionalista (Arena), is currently being investigated for allegedly accepting US\$10m in bribes from Taiwan (*see sidebar*).

According to an 18 March press release by the US Justice Department, Portillo, who "pled guilty to one count of conspiracy to commit money laundering" and awaits sentencing on 23 June, admitted receiving the payments in exchange for using his "influence to have Guatemala continue to recognize Taiwan diplomatically". His admission of guilt prompted a swift response from President Otto Pérez Molina, who distanced his Partido Patriota (PP) administration from the notorious corruption of Portillo's Frente Republicano Guatemalteco (FRG) government, acknowledging that while such practices were once "an open secret", they were a thing of the past. Insisting that all Taiwanese aid to Guatemala is now transparent and publicly divulged, Pérez Molina called on Taiwan to provide explanations.

Pérez Molina has since ruled out the possibility of switching from Taiwan to China and bilateral cooperation remains strong – as was suggested in his visit to Taipei last June. This yielded various agreements, chief of which was US\$119m in funds from Taiwan (a US\$50m donation and "similar amount as a soft loan") to go on upgrading the CA-9 Norte highway.

Yet the unfortunate focus on past bilateral cooperation comes as Guatemala, like its neighbours, continues to moot strengthening relations with China. In October 2012, a Guatemala-China chamber of trade and cooperation opened in Shanghai. According to the latest figures from the Central American economic integration system (Sieca), trade between Guatemala and Taiwan (which have had a free trade agreement in place since 2006) reached US\$125.6m in the first 10 months of 2013, while trade with China in the same period was US\$1.06bn. According to the latest figures cited by the Guatemalan government, Taiwan was Guatemala's 23rd biggest trading partner for both exports and imports in 2012 while Guatemala was Taiwan's 75th biggest partner for exports and 70th biggest partner for imports.

Quotes of the week

“Capitanich’s claims are absurd; the only thing left for him to do is to blame Sergio Massa and the Frente Renovador [FR] for the disappearance of the Malaysian flight.”

Argentine Deputy Dario Giustozzi, head of the opposition FR in the lower chamber, attacks cabinet chief Jorge Capitanich for linking the party’s founder, Sergio Massa, with a strike called by the CGT trade union.

“I want to be president of the PRI [...] to put in order the legacy of millions of Mexicans who since 1939 have constructed [...] the country we have today.”

Mexico’s Ernesto Cordero addresses bemused supporters ahead of the PAN party leadership election in May.

“The State is not making enough of an effort to convince [the Farc] that weapons aren’t necessary. There is a contradiction between what the president has done to me and the [political participation] accord struck with the Farc.”

Colombia’s dismissed mayor of Bogotá, Gustavo Petro.

El Salvador’s Funes lays claim to Romero’s legacy

El Salvador’s President Mauricio Funes marked the 34th anniversary of the assassination of the archbishop of San Salvador, Oscar Arnulfo Romero, on 24 March by unveiling a plaque naming the capital’s international airport after the iconic champion of the poor. Funes sought to draw parallels between Romero’s “challenge to the established powers, uncovering the truth of authoritarianism, corruption and exclusion” and his government, which he said has had to face “the same forces, the same intolerant spirit”. His speech had added resonance this year given the closely contested elections on 9 March. The right-wing opposition Alianza Republicana Nacionalista (Arena) tabled numerous legal challenges to the victory of Salvador Sánchez Cerén of the left-wing Frente Farabundo Martí para la Liberación Nacional (FMLN), none of which have prospered, and it reluctantly accepted defeat on 26 March.

Arena refused to vote in favour of renaming the international airport in the legislative assembly, arguing that it was a political act. Arena’s founder, Major Roberto D’Aubuisson, was named as the mastermind behind Romero’s assassination in a UN truth commission report published shortly after the end of the country’s civil war (1980-1992), but the subsequent passage of an amnesty law has ensured that his murder has never been investigated in El Salvador.

President Funes, who refers to Romero as his moral guide, said that his government had “battled to deliver a well-aimed blow to an oligarchic conception of power that puts the State at the service of a few [...] to the detriment of the vast majority”. He expressed his confidence that Sánchez Cerén would continue with this struggle. Arena will not make it easy for him. The party’s defeated presidential candidate, Norman Quijano, insisted this week that the next government would be “illegitimate”, although he stressed that Arena had never been “anti-system” and would work with the new government “to resolve the country’s problems”.

After the supreme electoral tribunal (TSE) threw out the final two petitions by Arena to try and annul the elections this week, and the constitutional chamber of the supreme court, on 26 March, rejected the party’s call for a full recount, Arena issued a statement promising to provide “a democratic and serious” opposition to uphold the country’s “constitutional institutionality”. It had nowhere left to turn, especially after US Secretary of State John Kerry recognised Sánchez Cerén’s victory on 25 March, saying that the US “looks forward to working with [him] and to continuing joint efforts to promote security and economic development”.

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