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## Much talk about talks in Venezuela but so far nothing concrete

The news that the Vatican has considered appointing a 'facilitator' for a dialogue between the government of President Nicolás Maduro and the opposition has made headlines — some attributing the initiative to Maduro, others to the Vatican and yet others to the Venezuelan opposition. The delegation from the Union of South American Nations (Unasur) left Venezuela without spelling out exactly what it had achieved, leaving this and much else to off-the-record or second-hand versions. Maduro insists that the opposition has no real will to dialogue — and at least one wing of the opposition is clearly determined to keep up the pressure.

Off the record, members of the Unasur delegation let it be known on 27 March that Maduro had approved two recommendations they had made privately to him. One was that an international 'good faith witness' should be present to facilitate talks between the government and the opposition. At this point the name of the Vatican's secretary of state came up, but it is not clear who first raised it. It is known that the representatives of the opposition who had met a day earlier with the delegation had urged the presence of a 'third party' in talks between them and the government.

The other recommendation accepted by Maduro was that a human rights commission should be set up to look into the complaints about rights abuses by the security forces. Maduro had asked the visiting ministers for Unasur to give "formal, official approval" to the truth commission created a week earlier by the national assembly.

That same day Maduro stated publicly that he would accept the presence of an "international witness" in his proposed 'peace talks' with the opposition — though he added that Venezuela was more in need of a notary, since the opposition "doesn't want to talk because it doesn't want peace." He went on to add, "Let the secretary of state, the Vatican's foreign relations minister — Pietro Parolin, who was ambassador here — come. Let him come then. Poor fellow, they will make him waste his time. I agree. They want him? Let him come!"

At this point the Vatican's spokesman, Federico Lombardi, said that the Vatican and Cardinal Parolin (who until late 2013 had been serving as *Papal Nuncio* in Venezuela) were "willing and desirous to do whatever is possible for the good and serenity of the country" but that it needed more information regarding "the expectations and the premise for undertaking a useful role that could achieve the desired outcome."

Ramón Guillermo Avelledo, executive secretary of the Mesa de la Unidad Democrática (MUD), the umbrella alliance formed by the majority of opposi-

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tion parties, *tweeted*, “The Vatican’s offer is another example of H.H. Francis’s affection for Venezuela. We are grateful for it.”

Colombia’s President Juan Manuel Santos was the first to announce, on 27 March, that Maduro and Unasur had agreed to the formation of a working party comprising three of the organisation’s foreign affairs ministers to work out “the conditions for the dialogue” between the government and the opposition. Bolivia’s foreign affairs minister, David Choquehuanca, followed up by announcing that the members of that working party would be Brazil’s Luiz Alberto Figueiredo, Colombia’s María Ángela Holguín and Ecuador’s Ricardo Patiño.

Almost instantly members of the MUD let it be known that they were unhappy with those names because the countries they represented had too many vested interests in Venezuela.

This coincided with a rally staged in Caracas by the more radical wing of the opposition, La Salida (LS), which in the words of a senior leader of Voluntad Popular (VP), Lawrence Castro, had the purpose of “deepening the resistance against the dictatorship headed by Nicolás Maduro through constitutional actions that will promote the prompt exit of the government.”

The target, according to LS’s national coordinator, Gaby Arellano, is to “propitiate Maduro’s resignation and force the replacement of the heads of public agencies whose terms have run out.” National Deputy Miguel Ángel Rodríguez, also present at the rally, addressed Maduro’s dialogue proposal, saying that LS would only consider taking part if the government released LS’s most visible leader Leopoldo López (also a VP leader, and the mayors accused of fostering unrest, and if the dialogue was broadcast live and included Maduro’s admission and apology for resorting to armed groups against the opposition.

For all the protestations of LS leaders, including the jailed López, that they were proposing protest actions within the framework of the constitution, it is not clear that they are able to contain the more radical elements in the protest camp, which include the students who set in motion the wave of unrest in early February, and the *guarimberos*, those who set up *guarimbas* (barricades or roadblocks made with refuse of all kinds) in their neighbourhoods and engage the Guardia Nacional Bolivariana (GNB) and the armed *colectivo* motorcyclists who have been described as “left-wing paramilitary groups endorsed by the government”.

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Nor is it clear to what extent the government has control over the *colectivos*. These are far-left groups that started out as providers of assistance and security to poor neighbourhoods, some of which evolved into ‘shock troops’ devoted to disrupting demonstrations of the opposition, attacking personnel of a television station, seeking to intimidate journalists with death threats — all “in defence of the Bolivarian Revolution”. Five *colectivos* located within a radius of 13 kilometres from the presidential palace (La Piedrita, Montaraz, Simón Bolívar, Los Tupamaros, Alexis Vive) have been labelled “the custodians of the revolution”. After they were linked to the deaths of three protesters, President Maduro said, “We do not accept violent groups within the *chavista* fold or the revolution.”

**Humala to gamble on eradication in the Vraem**

If the head of Peru's anti-drugs agency gets her way, there will soon be a major drive, led by the military, to conduct the forcible eradication of coca plantations from the Apurímac, Ene and Mantaro river valley (Vraem), where the remnant Sendero Luminoso (SL) guerrillas are still active, and the coca growers, who have a history of fighting successfully against interlopers, have vowed to resist. There have been warnings about both the risks involved and the efficacy of the initiative.

Iván Vega, deputy minister for defence policies, said earlier this month, "The issue of eradication [in the Vraem] is one on which the President has already decided to act: it is going to happen [but] always taking into consideration the vulnerable population. The government's intention is not to go in and raze the plantations, but simply to reach a consensus [with the growers]".

Gustavo Gorriti, editor of *IDL-Reporteros*, says, "Going in and razing the plantations is precisely what forcible eradication is about [...] It is the intention of Devida [the anti-drugs agency] and what Corah, the authority in charge of eradication, has planned." Moreover, he adds, "eradication will begin with a massive concentration of eradicators and the military and police force entrusted with protecting them. And it will begin in the parts of the [Vraem] where the population arose in the 1980s and waged a bloody peasant war, in which [...] one of every ten people in the [Vraem] were killed, until they eventually pushed out the SL." Now, he notes, the only ones who have promised to stand beside the coca growers are the "new-look" SL guerrillas.

Devida's plan for this year is to eradicate 30,000 hectares (ha) of coca plantations, up from the record 23,600ha achieved in 2013, 31% more than the initial target. Flavio Mirella, the United Nations Office on Drugs and Crime (Unodc)'s representative in Peru, says that intervention in the Vraem is important, but that there are another 14 areas identified as coca-growing — of which two are on Devida's target list for this year. Mirella notes, "The problem is greater when the area is distant because it tends to strengthen their productive capacity. It may be small, but it becomes resistant because it is not disturbed by the forces of order."

Peru is now estimated to be the country with the biggest potential production in the world (385 tonnes (t) according to the US State Department's *2014 International Narcotics Control Strategy Report*), but its seizures of the drug in 2013 (24.3t, of which 55% was the processed hydrochloride) were the lowest of all three major coca-producing countries, and lower than those of budding producer Bolivia and transit countries Brazil and Ecuador.

According to Rubén Vargas, a regular monitor of issues related to terrorism and the drugs trade, Peru also has a poor record on the interdiction of precursor chemicals. He says, "We are still at the historic level of 7% when we should be interdicting 30% [of the flow]."

Vargas says that an allied shortcoming is the paucity of action against money-laundering: "No important organisation has been disrupted since the Zevallos case [which ended in court back in 2011]." Mirella agrees on this matter. "There is legislation but not much supervision," he says. "It is necessary to dispel the perception that drug-trafficking is an isolated problem in certain areas."

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“In the Peruvian state, and the national police is no exception,” [Interior Minister Walter Albán] said, “corrupt practices have been embedded for a long time [...] We are going to do everything necessary to eradicate it, but if we want to eradicate it completely we need a medium-term plan with a great scope.”

### The situation in the Vraem

General Leonardo Longa López, who took over the special Vraem command in February, has been making headlines with claims that SL no longer exists in the area (“only common criminals with captive masses of minors”) and that the authorities had destroyed half of all clandestine airstrips, “with the result that we now have zero flights; none entering the Vraem, no precursor chemicals, no stockpiling of drugs [...] no regrouping of terrorists.”

He has dismissed as acts of “desperation” the string of SL actions in the second half of February: an attack on the Unión Mantaro antiterrorist base, followed by another on the Ccano base and two episodes of harassment of military patrols. In February, though, troops scouting the Vraem had come across stashes of weapons and supplies in areas known as *reservas*, where the guerrillas build up stores in preparation for future attacks.

According to Vargas, the actual situation is that Víctor Quispe Palomino (“Camarada José”) has taken over the leadership of SL in the Vraem and has moved fast to restore its command structure and take precautionary measures such as avoiding telephone communications and changing radio frequencies to avoid detection.

Gorriti disputes the general’s claims. “Recently,” he says, “several clandestine airstrips were dynamited. Those were PR exercises with no operational usefulness. In fact, the locals are happy when airstrips are dynamited because that ensures they will have work during the four or five days it takes to rehabilitate them [...] The [Vraem] is full of clandestine airstrips where planes land and take off every day in face of the government’s passivity.” On 29 March headlines were made by the interception in the Vraem of a light aircraft laden with 300 kilos of cocaine bound for Bolivia, in an episode in which one person was killed and two were arrested.

### The corruption factor

This is in fact part of a more pervasive problem that has not been fully acknowledged by the media and politicians: the degree of institutional corruption in Peru which makes large-scale criminal activities possible.

Interior Minister Walter Albán appears to be making a bid to change that. In a television interview which received widespread media coverage earlier this month, he called for a broad agreement between “people of different ideological options” to face the reality of “mafias that have grown and become very powerful”. An example he cited was that a mafia linked to illegal mining had managed to appropriate, thanks to a court order, half a tonne of gold that had been seized by Sunat (the customs and tax authority). Some mafias, he said, hire police officers through security firms.

“In the Peruvian state, and the national police is no exception,” he said, “corrupt practices have been embedded for a long time [...] We are going to do everything necessary to eradicate it, but if we want to eradicate it completely we need a medium-term plan with a great scope.”

A survey recently conducted by the polling firm GfK Perú shows that *montesinismo* — the surviving corrupt networks fostered by Vladimiro Montesinos the feared head of intelligence under the disgraced former president Alberto Fujimori (1990-2000) — is perceived to have penetrated the ruling Partido Nacionalista Peruano (PNP) by 22% of respondents. This ranks the PNP third in this matter, after the *fujimorista* Fuerza Popular (62%) and the Partido Aprista Peruano (33%). The same survey shows that 48% of respondents believe there are contacts between the government led by President Ollanta Humala and past associates of Montesinos.



**Laconic together while airing differences separately**

At the end of the 22nd round of the Havana peace talks between the government led by President Juan Manuel Santos and the guerrilla Fuerzas Armadas Revolucionarias de Colombia (Farc) on 30 March, the two sides followed their usual pattern. They issued a joint communiqué bereft of details (in keeping with the agreed principle that nothing is agreed until everything is agreed) and then both sides separately issued statements which revealed how far apart they still are on certain matters. One of these will be addressed in the next round, while the other is a matter of differences over the timing and scope of a proposal on which they agree in principle.

The joint communiqué said that they had “advanced substantially in the construction of agreements on different aspects in the point of Solution to the Drugs Problem, the third one in discussion.” They added that in the next round, scheduled to begin on 4 April, they expect to “conclude rapidly the discussion of all matters included in this point.” The remaining points are consumption and public health policies, and the production and commercialisation of illicit crops.

**Eradication & substitution**

Then came the airing of differences on the subject of drugs. The Farc’s Luciano Marín Arango (‘Iván Márquez’) read out a statement which said that several pages of agreement had emerged on the issue of substitution of illicit crops (coca, cannabis and opium poppy), and went on to say that “peasants, indigenous and Afro communities linked to this cultivation as victims of this phenomenon should be the protagonists of the fundamental struggle that must be waged against commercialisation.”

A response came from the government’s chief negotiator, Humberto de la Calle, who claimed that the government’s policies had been successful in permanently reducing the area devoted to illicit crops and that what should happen next is “a renewed strengthening of those policies and, in the framework of the end of the conflict, to achieve the disappearance of those crops that has only brought poverty and violence.” The Farc wants the commission to be formed right away.

De la Calle also addressed another matter: the Farc’s demand, which has been reiterated constantly since the beginning of the peace negotiations, most recently at the outset of the 22nd round, for the formation of a truth commission with the purpose of determining the origins and the truth of the conflict.

**Truth commission**

De la Calle said: “We proposed [...] the formation of a truth commission to address all truths, without exception, but we believe that this commission should function as a product of the agreement to end the conflict [...] We want the truth, all the truths, seriously. And this must be a central element, fundamental to the process of reconciliation and peace that will begin to be constructed with the signing of the agreement.”

The Farc also leapt at an opportunity to raise again yet another of its demands: that Juvenal Ovidio Ricardo Palmera (‘Simón Trinidad’) — extradited to the US in 2004 and serving a 60-year sentence since 2008 for his part in the kidnapping of three US nationals — should be allowed to take up his seat on the Farc’s negotiating team.

The opportunity was provided by former President Ernesto Samper (1994-1998)’s public proposal that the US should repatriate Palmera and another Farc guerrilla now in US prisons. The Farc issued an open letter of gratitude to Samper for this. As on other occasions, the Santos government remained silent about this.

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**Andiaros's gesture**

On 2 April Colombia's association of newspaper and media editors (Andiaros) announced that it was shipping 52 tonnes of newsprint to three Venezuelan dailies, *El Nacional*, *El Impulso* and *El Nuevo País*, severely affected by the shortage of the product in Venezuela. Andiaros's president, Jon Ruiz, said that the association decided to "loan" the material to their Venezuelan colleagues to help them to continue operating for the next 15 days. Ruiz added that the initiative was intended as "a symbolic gesture in support of press freedom", pointing out that the shortage was in large part the result of bureaucratic measures adopted by the Venezuelan government that have already led to the closure of some 13 newspapers, according to Venezuelan NGO Espacio Público.

**PERU | Kiteroni gas field comes on stream.** On 31 March Spanish energy firm Repsol announced that production had begun at its Kinteroni gas well in central Peru. First discovered in 2008, the Kinteroni well is located in the 287,120 hectare Lot 57 concession that spans the regions of Cusco, Ucayali and Junin and is believed to contain some 2-3 trillion cubic feet (TCF) of natural gas. As such it is considered one of the five largest natural gas deposits in the world. A Repsol statement said that initial production at Kinteroni was of around 20,000 barrels of oil equivalent (BOE) per day, but that it expected that this figure could more than double by 2016. The announcement was hailed by Peru's hydrocarbons agency, Perúpetro, which said in a statement that it should help attract more investment to the natural gas sector in general and to central Peru's vast natural gas fields in particular. Perúpetro highlighted that the US\$808m investment that Repsol and its partner in Kinteroni, Brazil's Petrobras, made in the project should ensure that production reaches 85m cubic feet of gas per day this year, and that the plans to invest a further US\$592m in 2014-2018 should help take production levels to a peak of 210m cubic feet of gas per day. In addition, Perúpetro pointed out that Repsol already has plans to conduct further 2D and seismic exploration exercises in the Mapi and Mashira rock formations also located in the Lot 57 with the aim of drilling an exploratory well in the Mashira formation next year and one in the Mapi formation by 2017. Last year, a study by Scotiabank forecasted that Peru's natural gas production would increase by as much as 6% once production in currently inactive gas fields such as Lot 57 begins. In 2012, the last year for which full figures are available, Peru's national gas production reached 418m cubic feet. However, on 18 March Perúpetro revealed that in the past 12 months seven gas exploration and exploitation concessions had been cancelled after the companies holding them decided to abandon them. According to Perúpetro, most of these projects were abandoned due to social conflicts and delays in the approval of environmental licenses.

**COLOMBIA | Falling exports.** On 1 April Colombia's national statistics agency (Dane) reported that Colombian exports fell by 8.5% year-on-year in February to US\$4.27bn. The result drove Colombian exports in the first two months of 2014 down 4.6% when compared to the same period of 2013, setting a negative precedent for the rest of the year. Dane highlighted that the drop in exports was driven by an 11.3% fall in manufacturing exports and an 8.4% decrease in exports from the country's extractive industries. This was primarily explained by a 67.4% fall in automobile exports and a 9.5% decrease in oil and oil derivative exports. This is somewhat surprising given that the Colombia-US Free Trade Agreement (FTA) has been in full effect since May 2012. The US is Colombia's main trading partner and it was expected that the FTA would help boost Colombian exports to the US (which account for around a third of all Colombian exports), particularly oil and manufacturing exports. Yet Dane figures show that Colombian exports to the US fell by 16.6% in the first two months of 2014, as shipments of fuels, minerals and precious metals all registered sharp declines. A report by Colombia's industry, trade & tourism ministry also released on 1 April found that since the FTA came into full effect, Colombian exports to the US have registered an overall drop of 3.4%. However, the ministry was quick to point out that this was the result of a sharp fall in US demand for some of Colombia's main exports including coal, oil and coffee. "It is worth remembering that 2013 was a difficult economic year for the US and that the Colombian peso experienced an important revaluation", a ministry statement said. The statement went on to suggest that measuring the FTA's success in the first 20 months of it taking effect would be "hasty", added that the full impact of the agreement would be seen in the medium and long term. Colombian exports to the US should begin picking up again this month after US mining company Drummond, Colombia's second largest coal producer, announced on 31 March that it had once again begun shipping coal from its Ciénaga port in northern Colombia. Back in January the Colombian government ordered Drummond to suspend all its operations until these fully complied with local environmental laws [WR-14-02].

## Another blow against the Templarios

The federal authorities are totting up a new victory in their campaign against Los Caballeros Templarios (LCT) drug trafficking organisation (DTO) in Michoacán: the killing of another of the DTO's top leaders. It has also announced a policy shift towards the 'self-defence- groups (*autodefensas*) after having arrested another leading figure of that movement on a charge of involvement in the murder of a mayor.

The big news was that on 31 March a marine-led operation in Colón, in the central state of Querétaro, which abuts the north-eastern border of Michoacán, that ended in the killing of Enrique ('Kike') Plancarte, another member of the troika that led the LCT. This comes 21 days after the killing of Nazario Moreno González ('el Chayo' or 'el Más Loco') near Tumbiscatío in Michoacán. The authorities, wary of repeating the erroneous report of Moreno's death in December 2010, did not officially confirm Plancarte's death until 2 April, once fingerprinting had confirmed that the deceased was indeed Plancarte.

Plancarte's uncle Dionisio, one of the top LCT lieutenants, had been arrested earlier in the month. With 'el Chayo' and 'Kike' out of the picture, the sole leader of the LCT is now Servando 'La Tuta' Gomez, reported alive and at large.

There was a second, only slightly less important development on 31 March - the arrest of the *autodefensa* leader in Yurécuaro, Enrique Hernández Salcedo, initially on a weapons possession charge but likely to be indicted as the person who ordered the 22 March murder of Gustavo Garibay, mayor of nearby Tanhuato, a man renowned for his resistance to the *autodefensas* in his own municipality, who had narrowly escaped an attempt on his life in 2012.

On 30 March the federal commissioner in Michoacán, Alfredo Castillo, had announced the arrest of 19 members of the Yurécuaro *autodefensas*, four of whom have been charged with having been the material authors of the Garibay murder. He said that some of the detainees had implicated Hernández Salcedo in the killing. Castillo noted that already 54 members of *autodefensa* groups had been arrested on suspicion of having committed a number of offences.

### Tarnished reputation

After the arrest of Hipólito Mora on 11 March there was a series of reports about suspected malfeasance in the ranks of the *autodefensas*. The newspaper *Reforma* claimed that several of the leading figures of the *autodefensa* movement had shady pasts. Early leader José Manuel Mireles, it says, was once charged with trafficking in cannabis, 'Luis Antonio Torres González ('el Americano') has been investigated in connection with alleged involvement in homicide and kidnapping, and Juan José Farías Álvarez ('el Abuelo'), recently spotted at a meeting with commissioner Castillo, had been investigated as a presumed lieutenant of the Milenio DTO, and suspected involvement in organised crime and money-laundering. Absent were any references to the outcomes of the investigations.

Headlines were devoted to a more damning report released by the CEDH, Michoacán state's human rights commission, which lists several rights violations by the *autodefensas*. Worst among these is the forcible recruitment of minors and their training in the use of weapons. Also cited is the practice of exacting contributions from the public at large to finance the groups estab-

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lished in municipalities, which in some cases have included the option of contributing personal services as a member of the *autodefensas* in lieu of money or goods. Complaints about these and other alleged violations have been filed with the CNDH, the national human rights commission, which functions as an ombudsman’s office.

The CEDH report, however, does not fail to mention that in the Tierra Caliente region of Michoacán, the population is better off now than before the emergence of the *autodefensas* when, it notes, they were virtually under siege by organised crime, surrendering up to 50% of their earnings to extortion.

Federal Attorney General Jesús Murillo Karam has claimed on more than one occasion that he had evidence that the Cartel de Jalisco Nueva Generación (CJNG) supplied weapons to *autodefensa* groups in Michoacán, and that his office was conducting further investigations.

### **Change of strategy?**

Commissioner Castillo announced in a radio interview that the federal government was changing its communications links with the *autodefensas* and its strategy towards them. He said that the ‘genuine’ leaders of these groups had told him they were finding it difficult to control their members, as they had been ‘infiltrated’ by criminal elements. “From the beginning,” he said, “we have been very clear with them that we would not tolerate their acting outside the law and without coordinating with us as the authority.” On 6 March *autodefensa* leaders had pledged at a meeting with federal authorities a ‘cleansing’ of their ranks “with the purpose of expelling those persons who are alien to the movement.”

The commissioner took advantage of the radio interview to underline the progress that had been made “in the past few weeks” in Michoacán: homicides were down by 50% and kidnappings by 45%, reports of crimes by the public were up by 30%. Since January, he said, 500 persons had been arrested — which would make the proportion of *autodefensa* members among the detainees about 11%. The number of detainees was the only absolute figure provided by Castillo.

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In March three municipal capitals were occupied by *autodefensas* before the rebellion led by Luis Antonio Torres González against Mora: Tocombo and Cotija on the 6<sup>th</sup> and Turicato on the 9<sup>th</sup>. On the 10<sup>th</sup>, the day the rebellion began, they moved into Tingüindín. Four days later they had ‘taken’ Tumbiscatío. A further move into Huetamo was foiled at the first attempt but a second one succeeded on the 25<sup>th</sup>. By then the number of municipalities with an *autodefensa* presence had risen to 29. In all these actions, the *autodefensas* deployed contingents more than 100 strong; they were always accompanied by federal forces.

Torres González’s rebellion left him and his followers in unopposed control of Buenavista Tomatlán and La Ruana. By their own count they are 1,400 strong. Estanislao Beltrán, spokesman for the Consejo de Autodefensas de Michoacán (CAM) has put the total strength of the *autodefensa* movement at about 20,000. The followers of Mora stationed at his Rancho Palmares estate handed over their firearms to the federal forces for ballistics testing, to determine if any had been used in the double murder. No results had been reported up to the time of writing.



## International bond issue

On 1 April Mexico's finance ministry (SHCP) reported that the country had issued €2bn (US\$2.7bn) in bonds in international markets. A SHCP statement said that the bonds were issued in two tranches: one with a 7-year maturity and a yield of 2.4% and another with a 15-year maturity and a yield of 3.75%.

According to the statement, these yields are the "lowest obtained by any Latin American country" for euro-denominated bonds at these maturity rates. The statement added that over 413 investors took part in the operation, the largest number of participants for any international bond issue by the Mexican government, which allows Mexico to diversify its investor base.

## TRACKING TRENDS

**MEXICO | 'Los Ramones' pipeline.** On 27 March Mexican government officials formally launched the second phase of the 'Los Ramones' gas pipeline which, once completed, will allow Mexico's state-owned oil firm, Pemex, to import larger volumes of natural gas from the US. The US\$1.2bn project will extend 1,201km from Camargo, Tamaulipas, on the Mexico-US border to the state of Guanajuato in central Mexico. It is considered one of the most important energy infrastructure development projects undertaken in Mexico in the last four decades as it will ensure gas supplies to the industrial poles located in north-eastern and central Mexico, which account for approximately 20% of the country's total gas consumption. The launch ceremony held at Pemex's Los Ramones regasification plant in Tamaulipas was attended by Energy Minister Pedro Joaquín Coldwell, Environment Minister Juan José Guerra Abud and Pemex's general director, Emilio Lozoya Austin. Coldwell explained that the first phase of the project, which involves constructing a pipeline linking Camargo to the Los Ramones plant, was already under way; and that by launching the second phase, which would extend the pipeline from Los Ramones all the way to Guanajuato, the government hoped that the project would be completed and become operational by December 2015. Lozoya said that completing the project was "fundamental" to guarantee Mexico's natural gas supplies for the next 15 years and to "alleviate some of the existing bottle-necks" in the domestic provision of natural gas. Mexico currently produces 6.4bn cubic feet of natural gas per day, but this is insufficient to cover domestic demand. In recent years sector analysts have warned that Mexico could face gas shortages given that consumption of the fuel has been increasing at an annual rate of 2.5%-3% for the past five years. Last year the Mexican government had to issue a number of 'critical alerts warnings' over low levels of gas supplies readily available for some central states including San Luis Potosí, Guanajuato and Querétaro. Pemex currently imports an average of 1.3bn cubic feet of gas a day from the US in order to satisfy domestic demand. Once completed the new pipeline is expected to have the capacity to transport between 2bn and 2.1bn cubic feet of natural gas per day from the US into Mexico, allowing Pemex the possibility to increase its US gas imports by as much as 3.4bn cubic feet per day if necessary. In addition Lozoya said that it would also help to bring down domestic gas prices, which should help to boost the competitiveness of Mexico's industrial sector in the same way that lower gas and energy prices have recently done in the US. Indeed, pointing out that currently natural gas prices in the US are among the lowest in the world, Lozoya said that the Los Ramones pipeline would ensure that "Mexico joins the North American energy revolution". Guerra said that completion of the project would also have positive a effect on the environment as it would help to further promote the use of a cleaner and more environmentally friendly fuel such as natural gas.

**MEXICO | The economic costs of the lack of telecoms secondary legislation.** On 1 April Ernesto Piedras, an analyst at Mexico's telecommunications law institute (Idet), said that the lack of the secondary legislation needed to implement the telecommunications sector reform promoted by the government led by President Enrique Peña Nieto and approved last year by Mexico's congress was costing the local telecoms sector M\$576m (US\$44m) in losses a day. Piedras' comments come after the government's proposed secondary telecoms legislation was rejected by Mexico's opposition as soon as it was submitted to congress on 24 March. The main aim of the telecoms reform is to increase competition in Mexico's highly concentrated telecoms sector and break up existing telecoms oligopolies. This is to be achieved by creating a new and more powerful autonomous federal regulatory body, the Instituto Federal de Telecomunicaciones (Ifetel), tasked with opening up the market to new players and promoting greater competition among all market actors. The extent of Ifetel's responsibilities and its powers are to be spelled out in the secondary legislation. With the debate in congress over the secondary legislation threatening to be long and drawn out, Piedras urged congress to expedite the process by explaining that "For each day that there is no [secondary] legislation the sector loses M\$576m as access to customers continues to be restricted and costs remain arbitrarily high"

## Brazil's "proven" resilience is not shock proof, IDB says

### Industrial production

The index of industrial production (IP) rose for the second consecutive month in February, according to the national statistics institute (Ibge), rising 0.4% month-on-month. That was down on a revised 3.8% increase in January, when there was a rebound from a weak monthly result in December. Industrial output was up 5.0% on an annual basis in February, the strongest result in 10 months. The index of industrial confidence (ICC) compiled by the National Industry Confederation, rose in March, after three straight declines.

The president of Brazil's central bank (BCB), Alexandre Tombini, in late March told a conference of the Latin American Forum held by the Institute of International Finance (IIF) in the state of Bahia that Brazil has "proven" resistance to external shocks.

Thanks to high levels of accumulated international reserves (US\$337bn as of 28 March), a well-capitalised financial system and the fact that only 17% of public debt is held by non-residents, the country is "robust and resistant to external shocks", Tombini stated. Noting that the normalisation of (global and domestic) monetary conditions would lead to a natural realignment of financial indicators, including the exchange rate, he stressed that this "adjustment" "should not be confused with vulnerability".

A new (March 2014) report from the Inter-American Development Bank (IDB) entitled '*Global Recovery and Monetary Normalization: Escaping a Chronicle Foretold?*' calculates (using the region's mounting average fiscal and current account deficits, plus its increased overall dollarisation) that Latin America is 20% more vulnerable to a sudden external shock now than it was when the international financial crisis hit in September 2008, because of the fact that it has failed to rein in the anti-cyclical stimulus measures put in place in response to the global financial crisis and thus has eroded its capacity to react in the event of another exogenous shock, such as, for example, higher US interest rates or a sudden collapse in commodity prices on the back of a sharper-than-expected economic slowdown in China.

The IDB says that the region still has time to put its house in order but warns that it needs to adopt pragmatic policies sooner rather than later to rebuild its economic defence systems. In the case of Brazil, this involves higher interest rates to tackle inflation and an accelerated push to clear systemic infrastructure backlogs that have hindered productivity and growth.

In the short term, however, higher interest rates and sluggish activity mean that real annual GDP growth will be a meagre 1.69% this year and 2.00% in 2015, according to the BCB's latest Focus report. As expected, the BCB's monetary policy council (Copom) lifted the benchmark Selic interest rate again at its 2 April meeting to 11%. The decision was unanimous, but notably the Copom signalled that its tightening cycle is coming to an end. It said that it would "continue to monitor the evolution of the macroeconomic scenario ahead of the next meeting, to define the next steps in monetary policy". The bank is in a tricky position. Economic growth is not yet ticking up enough, and inflation is not yet ticking down enough. Inflation to mid-March quickened to 5.9%, up from 5.65% in mid-February, as food and beverage prices rose 1.11%

The BCB itself expects inflation of 6.2% this year, persisting above the official target of 4.5% (+/-2.0%). After weakening 13% against the US\$ in 2013, the Real has recovered roughly 4.1% this year to trade at R\$2.27/US\$ on 2 April. That will reduce imported inflation. The dilemma for the Copom underlines the fact that monetary policy is consistently asked to do the heavy lifting in Brazil, as the federal government is partly unable, and partly unwilling, to rein in its expansive fiscal policy.

## Fifty years on from the military coup

Congress was suspended for a few hours on 31 March, after a scuffle broke out during an act to commemorate 50 years since the coup which ushered in 21 years of military rule. Jair Bolsonaro, a deputy from the Partido Progressista, organised the unfurling of a banner which read, "Congratulations to the military – 31 March 1964. Thanks to you Brazil is not Cuba." In response a number of parliamentarians began waving placards with images of those disappeared or killed during the dictatorship. As the event descended into chaos, the session was suspended.

In the run-up to the anniversary a small, but vocal, number of pro-military activists have held events in Rio and São Paulo. They have, however, been outnumbered massively by demonstrators marching under the banner "Never Again". The anniversary prompted a rare bout of historical introspection by the local media. Over the weekend, a small scandal emerged over the revelation that the official congressional website still described the events of 1964 as a "revolution", the preferred term of the military rulers, rather than a "coup". By the time of the anniversary, the wording had been changed.

A poll carried out by Datafolha in February and published on the eve of the anniversary found a record number of Brazilians, 62%, agreed with the statement "democracy is always better than any other form of government". Twenty-five years ago, that number was 43%; in 2003 it was 59%. Other numbers from the survey were less positive. For 61% of Brazilians, the country's democracy has "serious problems". Only 9% claimed to be "very satisfied" with the country's political system, while 27% were "not at all satisfied".

### Repercussions

The remembrance of the coup has had some immediate results. On 1 April Defence Minister Celso Amorim announced an investigation into human rights abuses committed at military facilities during the dictatorship. In a statement on its website the National Truth Commission said the minister had promised to set up inquiry units within the armed forces to determine what went on in military installations. There is, however, no suggestion that the 1979 amnesty law, which prevents any one being tried for human rights abuses during the period of military rule, will be overturned. Another Datafolha survey, published on 31 March, revealed that 46% of Brazilians favour the annulment of the law, while 37% believe it should be retained.

Nevertheless, the government has been acutely conscious of the political potential of the anniversary. President Dilma Rousseff held a special event at the Planalto palace to remember those who died or disappeared during the dictatorship. Having been imprisoned and tortured for her role as a member of a guerrilla organisation, the anniversary has given the president an opportunity to remind the electorate of her own struggles. Often accused of lacking the charisma of her predecessor, Lula da Silva (2003-2010), on 2 April she wept briefly at a contract-signing ceremony at Galeão airport as she remembered Brazilian exiles.

### Rousseff's approval rating slumps

An opinion poll released at the end of last week showed a significant slump in the approval rating for President Rousseff, down to 36%, from 43% at the end of 2013. Two years ago that figure was 63%. A hefty 71% of Brazilians disapprove of the way the government is tackling inflation. Particularly worrying for the government is the fact that 57% reject its handling of unemployment, even though it stands at a record low. The survey was conducted by the Ibope institute and the National Confederation of Industries.

### Questioning the polls

Though Rousseff appears to be far ahead of her probable rivals Eduardo Campos and Aécio Neves in voter intentions, many observers argue that this far out from the election, such data has little significance. Campos and Neves do not yet have the national recognition that is likely to follow the start of an election campaign.

## Opposition seeks to exploit incidents of lynchings

On 22 March an eighteen-year old thief was beaten to death after grabbing a purse from a woman in the city of Rosario. Since then, a further 11 cases of vigilante justice have gained nationwide attention, leading to condemnation from a supreme court judge, the national security secretary and President Cristina Fernández. Opposition leaders, such as federal deputy Sergio Massa and the mayor of Buenos Aires, Mauricio Macri, have blamed the rise in mob violence on the alleged incompetence and indifference of the government.

Security has long been the major concern of Argentines, even as the economy has deteriorated. Massa's electoral success, first as mayor of the Buenos Aires satellite city of Tigre, and then as a national deputy, has been built on his ability to exploit the government's weakness on the issue. On 31 March, Massa specifically attributed the rise in violence to an "absent state", adding that Argentine society "does not want to live with impunity". After sustained criticism for his failure to actively condemn the attack, the Frente Renovador leader issued a statement saying that situations in which citizens took justice into their own hands "should be condemned".

Subsequently, however, Macri, seeking to imitate one of his possible presidential rival's tactics, said, "The state has given up on any attempt to defend or protect us. There has not been a security policy for the last 10 years." The comments by both men were described as "absurd" by the cabinet chief, Jorge Capitanich. Whereas previously the government has sought to dismiss media reports of outbreaks of criminality, the lynchings have been given much greater publicity by the dramatic comments of the President herself. Fernández went as far as comparing the isolated acts of violence of the past ten days to *kristallnacht*, the pogrom against Jews in Nazi Germany in 1938. "We don't want *kristallnacht* in Argentina," Fernández said. "We need views and voices calling for calm, not desires of revenge, fighting or hate. Each one of us should be calling for peace, tolerance and understanding." She then took aim at opposition leaders for their "unscrupulous" attempts to politicise the acts of violence.

It was left to the Supreme Court judge, Eugenio Zaffaroni, to add a sense of perspective. While he condemned the lynchings, he also criticised the media for stoking up fears of violence. Zaffaroni argued that the beatings of individuals suspected of criminal activity "are a natural result of a media campaign which is stigmatising terribly adolescents from vulnerable neighbourhoods." He also pointed out that a few isolated acts did not represent the dissolution of Argentine society comprising 40 million people.

### Fernández commemorates Falklands/Malvinas invasion

At a government rally on 2 April, held to commemorate the 32<sup>nd</sup> anniversary of the ill-fated Argentine invasion of the Falklands/Malvinas in 1982, Fernández described the islands as a "NATO military base in the South Atlantic". The Argentine President has sought to highlight the world's leading powers apparent hypocrisy over its rejection of the plebiscite in Crimea in comparison with its acceptance of the referendum held on the islands last year.

Fernández argued that Britain's interest in the islands was not primarily connected to its potential natural resources. She then provided a detailed list of alleged British military capability in the area: electronic intelligence systems that "control all the air traffic in the region"; 1500-2000 men deployed to the islands out of a population of 3,000; a frigate; an icebreaker; a nuclear attack submarine and aircraft armed with long-range ballistic missiles "that could reach several areas in the Southern Cone". At the 30 minute ceremony, the President unveiled a new 50-peso note with an image of the islands. "The history of mankind clearly shows that colonial enclaves end up being recovered sooner or later. I am confident in the people, in history," she said.

### YPF bond sale

Argentina's nationalised oil and gas producer, YPF, sold one billion dollars in a bond sale on 1 April, the company said in a statement. The 10-year bonds will pay 8.75% interest and were five times oversubscribed, YPF said. The company plans to invest US\$5.5bn in 2014 and is looking to finance its development in global debt markets.



## Moving up the drugs-trade ladder

“The US State Department’s 2014 *International Narcotics Control Strategy Report* (INCSR) puts Chile’s total cocaine seizures in the first eight months of 2013 at 10.6t, of which 2.17t was cocaine HCL. In that period 68.3% of all cocaine seizures took place in the three northernmost regions: Arica y Parinacota (bordering on Peru and Bolivia), Tarapacá (bordering on Bolivia) and Antofagasta (bordering on Bolivia and Argentina). The police has put the total of cocaine HCL seizures in the whole year at 3t.”

Chile is a relative newcomer to the drug-trafficking world. Over the past decade it has grown in two directions: domestic consumption has risen, in relative terms, to the highest level in South America, and Chile’s role as a transit country for drugs, mainly cocaine destined for the European market, has grown considerably. Since late 2013 it appears to be moving up the ladder to the role of producer of refined cocaine.

On 11 March the anti-narcotics brigade of the Chilean police announced the seizure in metropolitan Santiago of 500 litres of liquid cocaine, one of the largest hauls of its kind in the past decade. The authorities suspect that the drug was on its way to a processing lab where, using a rule of thumb formula cited by a police source, more than 200 kilos of powder could be recovered. This would make the total seized during March up to about 380 kilos — not a huge amount compared to a shipment of 1.4 tonnes (t) from Valparaíso that was interdicted at Le Havre, but in the eyes of the police an indicator of a new trend first detected in August last year: Chile’s progression from transit country to producer.

The police believe that the liquid cocaine was headed for a processing lab in Santiago. The other seizures, in two separate operations, were of cocaine base, which also suggests local processing into cocaine hydrochloride (HCL) for shipment abroad, mainly to Europe. All of the operations involved importing the cocaine from Bolivia. In August 2013 in Hijuelas, Valparaíso, police located the largest cocaine processing lab ever discovered in Chile, which received liquid cocaine. The total amount of the drug found both as liquid, solids and in suspension was calculated at 529kg.

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In 2013 the Chilean government allocated US\$2.1m to the Plan Frontera Norte, launched in 2011 to enhance the efforts to contain the traffic in drugs across the borders with Peru and Bolivia. The funds were destined mainly to the acquisition of surveillance equipment, which includes unmanned aircraft, and to enhance the capabilities of the investigative police’s anti-narcotics division and that of the Carabineros. The number of drug-trafficking organisations disrupted in 2013 rose by 43% to 127, of which 57 were involved in crossborder operations.

### In Bolivia

Across the border in Bolivia, the police’s special anti-narcotics and anti-crime forces (Felcn and Felcc) were active in operations in the border department of Potosí which led to the disruption of two gangs involved in drug trafficking and other cross border criminal activities, one in the Laguna Colorada area, the other in the tourist resort of Uyuni. The latter was formed by nationals of Chile as well as Bolivia.

Felipe Cáceres, deputy minister for social defence & controlled substances (meaning the anti-drugs effort) stated in early March that drug traffickers formerly active in the area north of La Paz department that borders on Peru have been moving to the south of the country.

**Another point of contention**

El Salvador's president-elect, Salvador Sánchez Cerén, has made conciliatory noises regarding another bone of contention between El Salvador and its Central American neighbours– the imposition of a US\$18 levy per vehicle at El Salvador's border points that took effect on 6 January. The move, which the Salvadorean government argued was necessary to cover the cost of new equipment to crack down on illicit goods trafficking and contraband, prompted a row with El Salvador's neighbours and some 1,200 Central American truckers went on strike over the measure in January. Last month Guatemala's economy minister, Sergio de la Torre, told reporters that the ministry was preparing a case to bring before an international arbitration panel if El Salvador insisted on retaining the levy which, during a visit to Guatemala on 28 March, Sánchez Cerén said he would reconsider.

**Another bilateral dispute brews**

The Nicaragua-Costa Rica dispute over the San Juan River area [WR-14-09] which is currently before the International Court of Justice (ICJ) at The Hague is not the only bilateral row currently making headlines in the isthmus. Last week El Salvador's outgoing President Mauricio Funes presented his Honduran counterpart, Juan Orlando Hernández, with an official complaint in relation to the construction of a heliport on Isla Conejo (rabbit island) – a tiny island in the Gulf of Fonseca, a Pacific coast area jointly administered by Honduras, El Salvador and Nicaragua. The issue is threatening to become the first foreign policy concern for El Salvador's president-elect, Salvador Sánchez Cerén, when his new Frente Farabundo Martí para la Liberación Nacional (FMLN) government takes office on 1 June.

President Funes presented an "energetic" note of protest to the Hernández government on 24 March, two days after the latter inaugurated the new heliport on the island (which is half a square kilometre) and which Honduras has been occupying unchallenged at least since 1992. Highlighting that he had also filed a complaint before the United Nations Secretary-General Ban Ki-Moon, President Funes said in his statement that "actions like those at present seriously affect the fraternal relations that have been maintained between both States".

The note of protest is just the latest in a series of complaints made by El Salvador which filed a formal protest in September 2013 after Honduran military officials reportedly raised a Honduran flag on the island. Tensions further surfaced last year after Honduras's foreign minister, Mireya Agüero, told *Radio HRN* on 6 November Honduras saw an "open threat" in El Salvador's acquisition of 10 light ground-attack aircraft from Chile at the end of October. At the time the Funes government rejected the possibility that the purchase, which it maintains is for the defence of national sovereignty and to combat drug trafficking and organised crime, had anything to do with the dispute.

Hernández is just over two months into his four-year term, and so it is unlikely that he will turn a blind eye to the offensive from El Salvador. On 26 March Honduras's foreign ministry issued a statement rejecting Funes's note as "impertinent". The statement also expressed "profound concern" with the failure of the Salvadorean government to comply with an 11 September 1992 ICJ ruling in relation to the Gulf of Fonseca, where Isla Conejo is located. The ICJ ruling in question found that the islands of Meanguera and Meanguerita belong to El Salvador, while El Tigre Island belongs to Honduras although it made no explicit mention of Conejo. The ruling also recommended that the three countries share sovereignty over the Gulf, but left it up to them to decide how. In March 2012 the three countries signed a declaration designating the Gulf of Fonseca "a zone of peace, a zone of peaceful coexistence, a zone of stability and economic and social development".

President-elect Sánchez Cerén is similarly unlikely to cave in with regard to what has now become a national rallying point. At the end of last month the main right-wing opposition Alianza Republicana Nacionalista (Arena), along with other opposition parties, called on El Salvador's national assembly to make a public statement on the issue, describing the heliport as an "illegitimate act" and a "violation of national sovereignty". Then on 28 March Sánchez Cerén began a week-long tour of Central America to meet his future peers. According to an official FMLN press release, the tour includes meetings with leaders from all the Central American countries, except Costa Rica – which he will visit after the 6 April presidential run-off – and Honduras where a meeting with Hernández is "yet to be scheduled".

## Meeting with the private sector

On 26 March El Salvador's president-elect, Salvador Sánchez Cerén, held a meeting with the president of the powerful private sector lobby, Asociación Nacional de la Empresa Privada (Anep), Jorge Daboub, after which Daboub announced Anep was open to an alliance with the government in order to boost economic growth. This is a priority for the new government given poor growth which reached 1.7% in 2013 according to the latest (December 2013) report by the United Nations Economic Commission for Latin America & the Caribbean (Eclac) - the lowest in Central America.

## Sánchez Cerén unveils cabinet picks

The dispute with Honduras will be one of the first issues facing Hugo Martínez after Sánchez Cerén confirmed on 28 March that he would reprise his old role of foreign minister in the incoming administration. Martínez, who served as foreign minister in 2009-2013, left the post in July 2013 to take up the position of secretary of the Central American integration system (Sica). As a proponent of closer regional integration, Martínez is likely to push for a diplomatic resolution of the dispute.

Martínez was only one of the cabinet appointments that Sánchez Cerén revealed this week, all of which suggest that his new government is unlikely to radically depart from the policy stance of the current administration. On 31 March he confirmed that he would retain three of Funes's ministers in their posts - Carlos Cáceres (finance), Gerson Martínez (public works) and José Napoleón Duarte (tourism), while he has also named Education Minister Franz Hato Hasbún as the new secretary of government and political dialogue.

One noteworthy appointment was his choice of businessman, Tharsis Salomón López, the director of Grupo Rayo, a car battery importer, to head up the economy portfolio. Salomón, who accompanied Sánchez Cerén for much of his campaign, has served as vice-president of the Salvadorean association of industry (ASI), a member of the powerful private sector lobby, Asociación Nacional de la Empresa Privada (Anep) and his appointment is widely considered to be a gesture to the private sector (*see sidebar*).

That FMLN hardliners will have a significant presence in the executive is suggested by his appointment of FMLN communications secretary, Deputy Roberto Lorenzana, as technical secretary of the presidency and former justice & security minister, Manuel Melgar (2009-2011), as private secretary to the presidency. The choice of Melgar in particular is unlikely to be well received by the US which holds him responsible for a 1985 attack in which four off duty US military personnel were killed.

## TRACKING TRENDS

**COSTA RICA | Gearing up for the run-off.** The campaigns have closed ahead of the 6 April run-off between Luis Guillermo Solís of the centre-left Partido Acción Ciudadana (PAC) and former San José mayor, Johnny Araya (1998-2001; 2003-2013), of the centrist ruling Partido Liberación Nacional (PLN). Solís remains the firm favourite following Araya's shock announcement last month of his plans to abandon his campaign [WR-14-09]. However, it is worth pointing out that PLN members have continued campaigning in his absence. Costa Rica's constitution technically prohibits candidates from pulling out of a run-off (Art.138) – meaning that the vote must go ahead and Solís has been focussing on ensuring voter turnout, aware that high abstention could undermine his mandate. A future Solís government will already be tested by the fact that the PAC will have just 13 seats in the new 57-member national assembly (which is still the second highest presence, after the PLN which has 18). Solís has told reporters that he is aiming to get 1m votes. According to the national electoral authorities, a total of 2.05m voters cast their vote in the 2 February first round (out of an electorate of 3.08m) with abstention running at 31.8%. In the first round, the PAC won a total of 629,866 votes (30.6%) while the PLN won 610,634 (29.7%).

**PANAMA | FTA with Mexico finalised.** On 24 March the Panamanian government led by President Ricardo Martinelli and its Mexican counterpart led by President Enrique Peña Nieto concluded talks over a bilateral Free Trade Agreement (FTA). Subscription of an FTA with Mexico is necessary for Panama to enter the Pacific Alliance trade bloc (comprising Colombia, Mexico, Peru and Chile) where prospective members are required to have FTAs in place with all existing members in order to join. According to a press release by Mexico's presidency, bilateral trade reached US\$1.064bn in 2013. Panama is Mexico's fourth largest trade partner in Central America and its 11th largest trade partner in Latin America and the Caribbean, while Mexico is Panama's third largest trading partner in the region.



## POSTSCRIPT

### Quotes of the week

“Today it’s not only democracy that’s been destroyed in Venezuela. With this action, the republic is dismantled.”

*Maria Corina Machado, the opposition deputy (independent) stripped of her seat in the national assembly on the grounds of violating the Venezuelan constitution by accepting an offer to speak as an alternate member of the Panamanian delegation at the Organization of American States (OAS).*

“When the entire world asks the US to shelve its economic blockade policy against Cuba, voices again emerge from this government threatening sanctions against Venezuela. Do they learn nothing from history?”

*Uruguay’s President José Mujica on the US government’s response to events in Venezuela.*

“The truth about the Malvinas is that it constitutes NATO’s military base in the South Atlantic. That is the truth that can no longer remain hidden.”

*Argentina’s President Cristina Fernández makes a claim on 2 April, the anniversary of the start of the 1982 Falklands/Malvinas war.*

### Cuban National Assembly approves new foreign investment law

An extraordinary session of Cuba’s National Assembly on 29 March approved a new law designed to entice new foreign investors into the state-owned and sanctions-constrained economy.

The new law is the outcome of a long process of review and debate, in which reformers managed to convince doubters of the need for more foreign investment to strengthen Cuban economic growth and development. The terms for foreign investors are improved by the law and, perhaps more significantly, the government led by President Raúl Castro has made a commitment to adopt a more open approach in its dealings with potential partners. The extent of change will become apparent in the coming months, as regulatory details are published and new procedures are introduced within the government institutions that negotiate agreements.

Changes contained in the law, like reduced taxes and a streamlined approvals process, are designed to attract new foreign business partners. Despite these changes, the overall framework for foreign participation remains intact.

The new law strengthens guarantees for investors in areas of concern. It provides further reassurance to those fearing nationalisation, specifying the conditions under which it can be allowed and the compensation to which the investor would be entitled. It also specifies legal protection against previous owners of Cuban assets who might make claims under the 1996 Cuban Liberty and Democratic Solidarity (Libertad) Act (known as the Helms-Burton Law).

The greatest uncertainty for investors is the future of US sanctions against Cuba, which not only close the US market for Cuban exports but also make it difficult to obtain inputs, secure access to international finance and conduct foreign exchange transactions. The combination of US restrictions on Cuban trade and financing and the Cuban government’s controls on the scope of foreign investment will continue to constrain foreign investor participation in the Cuban economy. Nonetheless, the new law and regulations, combined with the Cuban authorities’ new interest in attracting new partners, will open the way for a new batch of joint venture projects.

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