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What is stopping Colombia's Santos from pulling away?

"The first virtue of a soldier and a statesman is to be able to understand when it is necessary to make peace - that moment has arrived". Colombia's President Juan Manuel Santos made peace the cornerstone of the electoral manifesto he presented this week in a bid to regain the initiative ahead of his re-election bid on 25 May. While opinion polls suggest that Santos will win, after a second round, they also show that support for him has stagnated and that ending the armed conflict is some way down the list of public priorities. On top of this, political and legal ping pong over the mayoralty of Bogotá is eroding the credibility of Colombia's institutions and risks damaging Santos's support; and his government has been unable to avert a strike by the agricultural sector, which began on 28 April.

President Santos sought to seize the initiative by presenting his manifesto for a second term in office in Bogotá on 29 April. Only the day before farmers had gone on strike, reviving memories of last year's rural strike which decimated Santos' approval ratings and threatened to derail his re-election bid before it even got going. Santos also had to reinstate Gustavo Petro as mayor of Bogotá, and then challenged the judicial ruling requiring him to do so (*see below*).

Santos built a conceptual framework built on three pillars each composed of three segments. The first pillar, entitled 'an inclusive country with opportunities for all', focused on education, housing and health. The second pillar, 'a country of entrepreneurs with plentiful jobs', promised to inject public resources into national industry, produce "prosperity and wealth" through "a national policy" for the countryside (striking at the time of speaking), and convert Colombia into a Mecca for entrepreneurs. There was no mention of the five 'locomotives of growth' that underpinned his campaign strategy in 2010.

The main weight of Santos's speech fell on the third pillar, 'to construct a country without fear, without war and in peace'. Santos tried to correct the impression that he has a one-track mind consumed by the peace talks with the Fuerzas Armadas Revolucionarias de Colombia (Farc) guerrillas taking place in Cuba. He said he would dismantle criminal gangs and target the theft of mobile phones, extortion and assault - crimes which affect the Colombian public directly - while creating a citizen security ministry to combat insecurity in urban areas. Ultimately, however, it was still the Farc that predominated as Santos concluded that "the second term will be about peace", adding that "we need to play the most important second half in our history".

The trouble for Santos is that a poll by Datexco this week showed that only 5% of respondents viewed the armed conflict as a priority for the next president, ranking sixth behind a lack of jobs (17.1%), security in the cities (13.3%), quality of healthcare (12.1%), poverty (11.2%), and quality of education (8.2%). Another concern is that support could harden behind his rival, Oscar Iván Zuluaga, the candidate of former president Álvaro Uribe (2002-2010)'s

Guerrilla infiltration of strike?

The attorney general, Eduardo

Montealegre, claimed on 29 April that he had evidence that the agricultural strike, which began the previous day, had been infiltrated by guerrillas from the Fuerzas Armadas Revolucionarias de Colombia (Farc) and the Ejército de Liberación Nacional (ELN) in the eastern departments of Arauca and Norte de Santander, and the southern departments of Nariño and Caquetá. The umbrella Dignidad Agropecuaria agricultural association, which is organising the strike, has dismissed the involvement of guerrilla groups. The Farc also denies infiltrating the strike.

Centro Democrático (CD) and a fierce critic of the peace talks, if the Farc proceeds with apparent plans to mark the 50th anniversary of its formation in 1964 with a series of strikes targeting military objectives and oil pipelines, which could claim civilian casualties. An email, dated 7 January 2014, which was obtained from a computer seized from the Farc's Bloque Oriental in the department of Meta earlier this month, revealed that the Farc was planning to stage multiple attacks from 1 May together with the Ejército de Liberación Nacional (ELN) guerrillas.

"This is the most ambitious and realistic programme any president has ever undertaken to carry out", Germán Vargas Lleras, Santos's running mate, insisted while criticising his main rivals, especially Enrique Peñalosa, of the Alianza Verde (AV), for remaining silent about their plans of governance. Peñalosa has revealed some plans, such as more training and better pay for teachers; more schools; improved access to university; and championing sustainable cities with alternative forms of transport to reduce pollution. He is in a dead heat with Zuluaga on 16% in the Datexco poll released on 27 April behind Santos on 28%.

The poll points to a run-off on 15 June, with no candidate close to surpassing 50% in the first round. Santos would defeat Peñalosa by five percentage points in a run-off and Zuluaga by 10 points. Another poll by Ipsos Napoleón Franco had Santos slipping five points to 23% on the previous (February) survey, with Zuluaga up six points to 15% and Peñalosa up six to 11%. A poll by Gallup put Santos on 32%, followed by Zuluaga on 20.5% and Peñalosa back on 10.1%. It showed Santos beating Zuluaga by 46% to 34% in a run-off.

Bogotá: the weak link

The Ipsos poll showed that Santos is losing ground in Bogotá, where he is running third behind Peñalosa (a former mayor of Bogotá) and Zuluaga. When Santos met the parties that make up his ruling coalition last week (Partido de la U, Partido Liberal and Cambio Radical) to urge them to push the need for continuity to conclude the peace talks, they informed him that Bogotá was a weak link which urgently required strengthening. This conclusion was based primarily on an analysis of the legislative election results from last March, but Santos could lose further support if the rural strike goes on for too long: there has been a 70% reduction in deliveries to and from Bogotá in the first three days of the strike due to roadblocks or the threat of them.

Santos is also suffering the fallout of the frustration felt by bogotanos at the capital being left in institutional limbo. The mayor's office passed through three different hands in the space of just three days last week. On 21 April the labour minister, Rafael Pardo, was in charge as care-taker mayor; the next day, Santos appointed María Mercedes Maldonado, as the new interim mayor from a shortlist of three presented by the AV. Petro applauded Maldonado's appointment as she belongs to his Movimiento Progresistas within the AV, and served as his housing secretary. A day later, however, Petro himself was back in office. Santos said he had "no alternative" but to re-appoint Petro after a court verdict in his favour.

A Bogotá high court ruled that Santos should have accepted the precautionary measures issued by the Inter-American Commission on Human Rights (IACHR) in favour of Petro last month. Despite reinstating Petro, Santos has challenged the court's ruling as has the prosecutor general, Alejandro Ordóñez. Given the complex skein of legal challenges, the tortuous judicial process could continue for some time, with potential collateral damage to Santos's re-election bid and to Colombia's legal reputation, which could deter investors. If the process extends beyond 30 June there can be no fresh elections until Petro's term ends on 31 December 2015 and the mayoralty will remain in the hands of his party whatever happens to him. It is little wonder Santos is promising a "more agile, transparent and efficient judiciary" if he is re-elected. Delivering it will not be easy though as he found out after a botched judicial reform attempt in 2012.

Highest minimum wage in region cannot buy pasta

Venezuelans get a 30% increase in the minimum wage this Labour Day (1 May). Coming on top of a 10% increase at the start of the year, the minimum wage will go up 43% in 2014, President Nicolás Maduro said. At BF4251.78/month, or US\$675 at the official exchange rate of BF6.3/US\$1, Venezuela on paper continues to have the highest minimum wage in the region (followed by Argentina).

Once food tickets are added on, the minimum wage comes to an impressive BF5,600.78 (US\$889). Yet the increase met only derision. The main opposition leader, Henrique Capriles Radonski, tweeted that it was “inadequate...this doesn't improve the conditions of our workers”. With the currency devalued again in January, the price of most basic goods, which remain scarce, continues to rise, steeply eroding real incomes. Inflation in March was 59.3% year-on-year, with annual food price inflation of 80.5%, on central bank figures. According to the national statistics institute (INE), the basic food basket alone cost BF3,370.48 (US\$535) in February.

Ahead of the latest wage announcement, the Superintendencia Nacional de Defensa de los Derechos Socio Económicos (Sundde), published a list of sharply increased controlled prices for chicken, rice and sugar - three of the scarcest basic goods and among those with most impact on inflation - in an apparent bid to incentivise domestic production. The price increases for the three items range between 32% and 187% and will be applicable from wholesale to retail level. As such they will be inflationary - until such time as supplies dramatically improve.

It may be a while. Even as the International Air Transport Association (IATA) again requested US\$3.9bn in hard currency debt owing to foreign airlines, Empresas Polar, Venezuela's biggest food company, announced the temporary closure of its pasta plant (Pasta Primor), citing a continuing delay in currency payments (for wheat imports). The BCV's scarcity index, which measures the availability of a basket of basic goods on supermarket shelves, was 26.9% in March, down from 33% in February (meaning that a third of the surveyed goods were considered scarce) but still at an unprecedented high. The bank listed 19 products “with serious supply problems” in March. Some, like maize oil (for cooking), were considered 100% scarce.

The latest wage increases will be paid, of course, by money printing. The broad M2 measure of money supply was BF1.35bn in March. That's an 80% increase over the BF739.5m reported in March 2013. There is no way around the fact that Venezuela is set for another year of severe stagflation.

Preferential treatment for priority producers

As part of the ‘new economic offensive’, the vice-president for economic affairs, Rafael Ramírez, said that private producers of 53 designated ‘priority’ goods would receive additional government support through a new special fund drawn down from the national development fund (Fonden) and the China Fund - both off-budget - to provide both investment loans and foreign currency to help pay off some of the debt owing to external suppliers (estimated at some US\$11bn). The 53 priority goods include most basic foods like cooking oils, milk and other dairy products, flour, coffee and sugar, as well as essential personal hygiene products and medicines. Ramírez emphasised that the government was aware of the “knots” facing producers and was working to undo them.

Ramírez added that the private sector should also be looking to export, so as to generate its own foreign currency. Complaining that the private sector “asks [the state] for US\$36bn a year and doesn't bring a single dollar back here”, he said the government wanted to see non-oil exports back at previous levels of about US\$3.8bn a year, last achieved four or five years ago.

Exchange rates

The parallel exchange rate was trading at BF69.3/US\$1 on 1 May. The new market-determined Sicad 2 rate (applicable to nearly all imports outside designated key sectors, which still come at either the official BF6.3 rate or the Sicad 1 rate of BF10.8) is hovering at BF50/US\$1. The government is gradually shunting further categories to the Sicad 2 rate. The aim, clearly, is for convergence between the Sicad 2 and the parallel rate.

More or less autonomy

The planning minister, Pabel Muñoz, insisted last week that the proposed new law aimed to “strengthen municipalities from the central government”. Henry Cucalón, a legislator for the opposition Partido Social Cristiano-Madera de Guerrero (PSC-MG), the party of Guayaquil Mayor Jaime Nebot, argued that the proposed law was unconstitutional. Cucalón, who formed part of the legislative commission of autonomous governments, decentralisation, competences and territorial organisation, said changes to the structure of the State could not be made by approving laws but by reforming the constitution. He said the proposed new law was designed to “exert control over the municipalities”.

Mayors accuse Correa of encroaching on autonomy

Political tension between the government of President Rafael Correa and opposition mayors is building. The national assembly is poised to begin debating a new ‘law on territorial organisation’. The government argues that it is necessary to harmonise urban planning regulations nationwide, among other things; the opposition argues it is a deliberate attempt to undercut the autonomy of the country’s municipalities. Jaime Nebot, the long-serving opposition Partido Social Cristiano-Madera de Guerrero (PSC-MG) mayor of Ecuador’s largest city of Guayaquil, has been especially critical, along with Mauricio Rodas, the mayor-elect of Quito representing a new opposition party, Sociedad Unidad Más Acción (Suma), who will take office on 14 May.

The legislative commission of autonomous governments, decentralisation, competences and territorial organisation presided over by Richard Calderón of the ruling Alianza País (AP) said the bill would be presented to the national assembly plenary in early May. Calderón said that it had been drawn up with the assistance of consultants from the European Union (EU) between January and March. He said it established clear distinctions between what constituted urban and rural land; and created important criteria for urban planning, such as forbidding the construction of houses within 50 metres of ravines, river banks, or the sea. He said a unified national criteria, with common rules, regulations and minimal standards in areas such as the environment, security and social cohesion, was essential for the purposes of simplification, efficiency and oversight of urban planning.

Calderón denied that the new law would encroach on municipal autonomy. The former presidential candidate for the right-of-centre Movimiento Creó, Guillermo Lasso, begged to differ. Lasso said the proposed law, championed by the planning ministry (Senplades), was “another piece in the juridical structure constructed by an all-controlling State”, coming just as Correa had suffered some notable defeats in February’s municipal elections. Lasso directed his criticism at the proposed ‘land and territory regulating committee’ and a new superintendence.

The urban development and housing minister, Diego Aulestia, said the purpose of the regulating committee (which will include representatives of local governments and the executive) was to define technical norms and train officials in information systems, while the superintendence would ensure the fulfilment of the urban planning proposals of each local government and the enforcement of the law. Lasso said the two entities would compel the municipalities to comply with the central government’s plans, undermining the authority of elected mayors and councillors.

Nebot declared emphatically, “We are not going to obey it: full stop”. He insisted that the constitution conferred exclusive competence over land and planning issues on municipalities. Rodas expressed concern about adding extra layers of bureaucracy for efficient municipal management. Rodas met Nebot in late March for a 90-minute meeting, officially to discuss cooperation and coordination of policies in the face of similar challenges and problems. Days earlier Rodas met Marcelo Cabrera, the leftist opposition mayor-elect of Ecuador’s third-largest city of Cuenca.

The meetings will fuel President Correa’s conviction that opposition mayors are intent on cooperating to throw obstacles in the path of his ‘Citizens’ Revolution’. Rodas stressed that he was not mooting an opposition front at all and that he was keen to cooperate with “all elected authorities”, including the Correa administration.

Correa's foreign tour

President Rafael Correa met the Spanish prime minister, Mariano Rajoy, with whom he discussed Ecuador's current trade discussions with the European Union (EU), and King Juan Carlos I in Madrid on 24 April. He travelled on to Italy on 26 April, stopping in Genoa, before attending the canonisation of Popes John XXIII and John Paul II at the Vatican the following day.

Ecuador's education and innovation revolution

President Rafael Correa concluded his five-day tour of Spain on 25 April by signing a collaborative scientific accord between Spain and Ecuador during a visit to the centre for automation and robotics (CAR) at the national scientific research council (CSIC) in Madrid. He also visited the institute of marine science in Barcelona earlier in the week.

Shortly before Correa left for Spain, he inaugurated a new university dedicated to technological investigation, the Universidad de Investigación de Tecnología Experimental (UITE), located in Yachay, the 'City of Knowledge', in Urcuquí in the northern province of Imbabura. Yachay, which Correa describes as "the most important project" of his 'Citizens' Revolution', includes some 19 research centres, in areas such as life sciences, renewable energy, nanotechnology, and information technology, with the aim of putting Ecuador at the cutting edge of innovation.

The UITE is one of four emblematic centres of higher education being constructed in the country by the national government. The others are the Universidad Regional Amazónica (Ikiam, the Shuar indigenous word for 'forest'), specialising in phytopharmacology, water resource management, geology, and agro-ecology; the Universidad de las Artes (Uartes) in Guayaquil; and a university dedicated to teacher training, Universidad Nacional de Educación (UNAE), in Azogues, in the south-central province of Cañar.

The UNAE was also inaugurated just before Correa left for Spain, and is one of the reasons he received an honorary doctorate from the Universitat de Barcelona (UB) for his transformation of education in Ecuador and his commitment to academic excellence, which he sees as a *sine qua non* of the overhaul of Ecuador's productive matrix to put the country on the path to sustainable development. "Without education there is no revolution", Correa said during his acceptance speech at the UB. Correa also expatiated on his government's education and development goals during an academic tour of the US where he gave talks at the universities of Harvard, Yale and Massachusetts Institute of Technology (MIT) between 8 and 10 April.

Correa's sweeping reform of education is also attracting attention within the region. An opinion piece published in the Argentine daily *La Nación*, on 17 April, entitled 'Quality as an objective: Correa's education revolution', asked "what can we learn from the Ecuadorean revolution?". The author urged the Argentine government not necessarily to replicate the strategy of the Correa administration, an ideologically aligned progressive leftist government, but to follow Correa's lead in professionalising the education system, accentuating academic excellence, and in seeking assistance from the best in their game.

Correa signed accords with Belgium's Université catholique de Louvain to design the UNAE course "to educate the educators". His government is also being advised by Finland, which tops the Organisation for Economic Co-operation and Development (OECD)'s Programme for International Student Assessment (Pisa) table. Correa signed Ecuador up to Pisa last year and students will begin being assessed in 2015.

TRACKING TRENDS

PERU | Central bank autonomy. Prime Minister René Cornejo said on 25 April that he respected and valued the independence of the central bank and that its autonomy would be maintained. Cornejo's remarks to the foreign press were rendered necessary following criticism of the central bank's handling of Peru's monetary policy by the economy minister, Luis Castilla, earlier in the week.

Castilla said that the exchange rate policy pursued by the central bank president, Julio Velarde, was "predictable" and the central bank's interventions in the spot market had held up the transition process towards greater use of the Nuevo Sol. Castilla had said that the net result of the bank's decision to wade into the spot market to offset sudden gains made by the Sol was to persuade people to hold onto their dollars. Cornejo said Castilla's comments amounted to "opinions", which were possible between "solid and independent institutions". Velarde, meanwhile, refused to argue with Castilla "through the press".

Castilla had also complained that the central bank was not prepared to work with him to prepare for tougher economic times, which Velarde denied. Intriguingly, shortly after the spat, Velarde revealed that investment in private projects in Peru would reach a record-breaking US\$31.5bn between 2014 and 2015. He also lifted the GDP growth forecast from 6.5% to 6.7% for 2015 (several weeks earlier he had revised GDP growth for 2014 down to 5.5% from 6%).

Speculation rife about official poverty rates

Argentina's national statistics institute, Indec, was praised earlier this year for producing, under pressure from the International Monetary Fund (IMF), a new consumer price index (CPI), which appears to have provided the basis for more accurate official inflation figures. But government critics have pointed out that Indec has failed to produce any kind of data at all on Argentina's poverty rate. With no official information to go by, researchers from private institutions have produced some alarming statistics.

The government was due to release data on the poverty rate for the second half of 2013 on 23 April. When questioned as to why no figures had been released, the cabinet chief, Jorge Capitanich, blamed the delay on "problems with methodology". As the statistics relate to a period before the introduction of the new CPI there seems to be no good reason for withholding their publication, other than for the obvious reason that they may be embarrassing for the government.

On 25 April the social debt observatory of the Universidad Católica Argentina (UCA) presented its own research on the subject. According to these calculations, in the second half of 2013, 27.5% of Argentines could be classified as living 'in poverty', the equivalent of 10 million people; and 5.5% of Argentines were considered to be 'in extreme poverty', or indigence. Throughout the past few years, UCA has consistently assessed the rate of poverty in Argentina to be three to five times the amount acknowledged by the government of President Cristina Fernández.

Previously, the government used the artificially low inflation data produced by Indec to calculate the value of a basic basket of goods; UCA used private statistics on inflation which were much higher. For instance, for the last set of data available, Indec claimed a family of four needed Ar\$1,783 (US\$223) per month to buy a basic basket of goods; UCA said the true figure was Ar\$4,142 (US\$518). UCA and the government agree that the poverty rate dropped significantly between 2010 and 2012, but it now appears to be heading up again, though the government is loath to admit it.

Another group of statisticians produced even more worrying figures. Technicians from the Instituto del Pensamiento y Políticas Públicas (IPyPP), supervised by Claudio Lozano and Tomás Raffo, two men fired from Indec, published a report showing that 36% of Argentines were in 'poverty' and five million in 'extreme poverty'.

Seeking to make political capital out of the government's silence, a group of deputies and senators from the opposition Frente Amplio-Unen took the government to court on 30 April. According to articles 248 and 249 of the criminal code it is an offence to "falsify, omit or delay the publication of statistics on poverty".

In a joint statement, the opposition politicians said that "never before has there been a failure to publish such an important indicator. [...] The excuse given by the institute [Indec] is patently absurd." Among the politicians at the court house was the Elisa Carrió, a thrice former presidential candidate and a possible contender for the presidency in 2015.

Military pay rise

Following a request from the head of the army, General César Milani, the Argentine government ordered an increase in the pay of all armed forces personnel. A lieutenant-general, and admiral or a brigadier-general will receive a 43.9% pay rise; the lower ranks will receive a 24.4% increase. By comparison, in the recent round of wage negotiations, teachers received a 28.8% pay hike.

Tensions erupt between farmers and indigenous

Two farmers were killed in a clash with indigenous protesters on 28 April near the town of Faxinalzinho in the southern state of Rio Grande do Sul. Two days later the nearby offices of the Fundação Nacional do Índio (Funai) were closed to prevent attacks on its staff. The justice minister, José Eduardo Cardozo, is to visit the state later this week. Tension between the indigenous peoples and farmers in the state is running high as long-running federal and state court cases have failed to resolve the issue of land rights.

Angered by the slowness of the legal process, a group of around 120 indigenous protesters blocked the main roads in and out of Faxinalzinho as part of a demonstration. At some point in the day a group of farmers sought to dismantle the blockade in order to deliver pig swill, an important source of income for the area. Reacting angrily to the attempts to clear the road, the indigenous protesters shot two of the farmers, brothers Alcemar and Anderson Souza.

Speaking on 30 April, Cardozo criticised the “extreme radicalism” of both the indigenous and the farmers, and brushed off criticism of the federal government’s failure to act on earlier warnings about tension in the region. He also lamented the lack of dialogue between the two sides. “There are political leaders who for electoral reasons, or some other motives, do not wish to talk,” he said.

According to Funai, the indigenous in the area have been claiming title to an area of 2,000 hectares around Faxinalzinho for over 12 years. Officially, the ministry of justice has declared the area indigenous land, but it has yet to begin the process of demarcation which would effectively formalise this decision. Around 140 farming families live on the land declared the to property of the indigenous.

Last year the Conselho Indigenista Missionário determined that 17 of the 96 territories classified as having a “risk of conflict” were in the state of Rio Grande do Sul. Faxinalzinho was one of the 17 areas listed. Last year, there were three major incidents in the state last year: six people were seriously injured in the clashes.

Genoino heads back to prison

On 30 April Joaquim Barbosa, the president of Brazil’s supreme court, ruled that José Genoino, the former president of the ruling Partido dos Trabalhadores (PT) was well enough to return to prison. Sentenced to four years and eight months of jail time for his role in the *mensalão* cash-for-votes scandal, Genoino was allowed to move to house arrest after his first few days in prison following an appeal on health grounds. Genoino has a heart condition and recently underwent surgery.

Marco Aurélio Carvalho, the legal co-ordinator of the PT and a friend of Genoino, said that the prisoner had accepted the news with equanimity. “But it is worth pointing out that the coagulation of his blood is not under control. The medical team who assessed him and said his situation was stable examined him at home. In prison, will the conditions be the same? Obviously not,” Carvalho said. He went on to warn Barbosa that he was “running a great risk” sending Genoino back to the Papuda prison.

In an interview with a Portuguese TV station on 26 April, former president Lula da Silva (2003-2010) claimed the judgement over the *mensalão* scandal was “80% a political decision, and 20% a legal decision”. Lula went on to describe the convictions as a “massacre that aimed to destroy the PT”. He also claimed that the *mensalão* did “not really happen”. When asked by the interviewer about the fact that those convicted were his confidants, he answered brusquely, that “it was not about people I trusted”.

Lula’s comments generated headlines in Brazil. A supreme court judge, Marco Aurélio Mello, described Lula’s assessment of the case as “touched by lunacy [...] I just hope this distance from reality is not deemed acceptable by society. You can argue over the length of sentences, but not the guilt of the condemned,” Mello said.

Government spending rises

In the first three months of this year, Brazil’s government spending amounted to R\$235.3bn (US\$105.3bn), an increase of 8.8% year-on-year, once inflation has been stripped out. The figure is the highest for any quarter of President Dilma Rousseff’s term; and the highest since the first quarter of 2010, when she came to power.

Rousseff: with or without you

As the “Volta, Lula” [Come back, Lula] movement rears its head once again, President Dilma Rousseff has made clear she will run as a presidential candidate, with or without the support of her allied base. Speaking during a week in which 20 congressional deputies from a coalition party signed a letter calling for the return of her predecessor, Lula da Silva (2003-2010), and a new opinion poll was published showing her losing ground to rivals, Rousseff struck a defiant note. “When I am the candidate, I would really like to have the support of my own allied base,” she said. “But even if I don’t, I’ll keep going ahead.”

On 28 April, Bernardo Santana, a deputy from the Partido da República (PR), held a press conference to announce his “Volta, Lula” manifesto. Although he said the party had no plans to leave the government, he argued that Brazil was in a crisis and the country needed someone with Lula’s experience to tackle its problems. Nineteen colleagues signed up to his idea; the PR has a total of 32 congressional deputies.

Days earlier, Lula had given yet another interview in which he ruled himself out as a candidate, in any capacity, for October’s elections. However, he could not resist a slight tease. “In politics, you can never say never,” he said. “But I think I have fulfilled my duty to Brazil. I am not going to be a candidate.” Over the weekend, one newspaper columnist claimed Lula had told his friends he would run. Lula’s office immediately shot down the story.

Rousseff claims to believe him. “Nothing can separate me from Lula or Lula from me,” she said. “I know his loyalty towards me and he knows my loyalty to him.” It seems the ball is entirely in Lula’s court. There is a willing constituency within the government’s coalition, and within the Partido dos Trabalhadores (PT) itself, that would welcome him with open arms. Marina Silva, the running mate of the Partido Socialista Brasileiro (PSB) presidential candidate Eduardo Campos, described Lula as the PT’s “silver bullet”. It still seems highly unlikely he would challenge Rousseff.

Opinion polls

In another blow for Rousseff, on 29 April the Confederação Nacional do Transporte (CNT) released an opinion poll showing the percentage of voters intending to back her in October had fallen to 37% this month, down from 43.7% in February. Aécio Neves, the presidential candidate of the Partido da Social Democracia Brasileira (PSDB) was second on 21.6%. Campos was third on 11.8%. In February, Neves was on 17%; Campos on 9.9%. “Opinion polls are important,” Rousseff said in response. “But when it is time to vote people will have to decide if I am important to them or not, if their lives will be better if I am elected.”

Over the past month, the government (and the PT in particular) has been on the back foot, defending itself over the mismanagement of Petrobras and dealing with fresh allegations of money laundering and influence trafficking. In a campaign document seen by the *O Estado de São Paulo*, the PT is making a push to reverse the narrative in May. The party needs a head start. With Rousseff’s approval ratings in decline, it is in part the ignorance of the electorate about Neves and Campos that keeps them far below her in voting intentions.

On 1 May, Rousseff is due to address the nation via TV and radio to commemorate International Labour Day. The next day she is due to appear alongside Lula at a national meeting of the PT in São Paulo: the party hopes the image of the two together will help to dispel the rumours of a Lula run.

World Cup internet

At least six of the Fifa World Cup stadiums will not be fitted with wifi access ahead of the tournament.

Among the stadiums which will not have a functioning network are Itaqueração, in São Paulo; the Arena da Baixada in Curitiba; and the Mineirão in Belo Horizonte.

Itaqueração, which is due to host the opening match between Brazil and Croatia on 12 June, will not have any practice games there before the tournament starts.

Astori lures Brazilian exporters to Uruguay

On 29 April Uruguay's Vice-President Danilo Astori called on Brazilian entrepreneurs to exploit the advantages that his country offers as a "platform" to access other markets with which Uruguay has free trade agreements (FTAs), such as Mexico. Speaking at a conference in São Paulo, Astori said that Brazilian businesses should take into consideration the fact that, unlike Brazil, which failed to conclude the FTA negotiations with Mexico launched in 2000, Uruguay signed an FTA with Mexico back in 2003. "The FTA with Mexico is of great importance for Brazilian businesses, Mexico is an important market," Astori said before inviting Brazilian business leaders to "take advantage of the favourable and secure [investment and trade] scenario that Uruguay has been trying to build in the past few years".

The party has also bought TV and radio spots to run party political broadcasts on 6, 13 and 15 May. On 15 May, Lula is due to appear in the broadcast, praising Rousseff's record.

The Fifa World Cup is the wildcard in the election scenario. "I don't think the World Cup will decide the election," Rousseff said. "Brazil could be champion and I could still lose, or Brazil could lose and I could be re-elected. I don't think one thing is related to the other."

TRACKING TRENDS

ARGENTINA | Fernández rolls over provinces' debts. On 28 April President Cristina Fernández announced a rescheduling of the Ar\$45bn (US\$5.6bn) owed to the central government by provincial authorities over the past four years. In return, Fernández is demanding that provinces apply the 'Precios Cuidados' (a price freeze on basic goods) locally, and fix the price of basic services, particularly electricity.

The government made a similar offer in December, but the provinces' finances have continued to deteriorate following pressure to increase wages, particularly from police forces, prompting some governors to consider issuing bonds before the announcement. Provinces that do not owe money to the federal government, such as San Luis and Santa Fe (both held by the opposition), have complained that they are being discriminated against, and are seeking some form of equivalent financial help.

ARGENTINA-BRAZIL | New automotive deal. Argentine government officials revealed on 29 April that the Argentine and Brazilian governments had reached a new deal covering the bilateral automobile trade, which is key to the manufacturing sectors of both Brazil and Argentina.

In a bid to overcome the market asymmetries that set apart the two Southern Common Market (Mercosur) partners and avoid a major trade dispute, in late 2012 Argentina and Brazil signed a common auto trade pact (PAC) to regulate the trade balance so that it is not completely unfavourable to Argentina. The PAC is due to expire in June, with trade once again becoming unrestricted thereafter, something that Argentina, in particular, would like to avoid.

Despite the restrictions, the bilateral trade balance in the auto sector continues to be massively in Brazil's favour. Last year the auto trade balance was US\$3.1bn in Brazil's favour, as Argentina exported 13,300 fewer units to its neighbour than in the previous year. This substantial fall in exports to Argentina's main automobile export market has severely affected local manufacturers, which in recent months have been forced to halt production and even announce plans to dismiss workers temporarily.

Against this backdrop Argentine and Brazilian government officials began analysing the possibility of signing a new deal when a delegation led by Brazil's industry, development & foreign trade minister, Mauro Borges, visited Buenos Aires on 22 April. These initial negotiations were positive and led to an Argentine delegation headed by Economy Minister Axel Kicillof and Industry Minister Débora Giorgi travelling to Brasília a week later for a follow up meeting. After that meeting, government officials accompanying the ministers told Argentina's national news agency, *Télam*, that the two sides had reached an agreement in principle to extend the current PAC until mid 2015 as well as additional measures that would help to "equilibrate" the auto trade imbalance in the longer term.

The Argentine government officials did not provide further details, pointing out that the specifics of the deal are to be thrashed out during another meeting scheduled to take place in Brasília next week. However, they did reveal that Brazil had agreed to allow more Argentine auto parts to enter its domestic market in exchange for Argentina allowing more Brazilian automobiles to enter its market. In addition, the Brazilian government is also said to have offered a US\$2bn credit line through the state-controlled Banco do Brasil for consumers on both sides of the border looking to buy vehicles in a bid to stimulate demand.

Out with the old, in with the new in Michoacán?

“By mid April the ‘self-defence’ groups had claimed that in 35 of the state’s 113 municipalities organised crime had been expelled — but their coordinating body, the Consejo General de Autodefensas (CGA), had reported to the authorities that at least 15 prominent members of the LCT were still operating within Michoacán and in the neighbouring states of Guerrero, Jalisco and Estado de México.”

On 29 April the self-defence groups of the western state of Michoacán began to register their firearms and declare their intention to join the new state rural police and rural defence force (or simply demobilise after surrendering their weapons). This is being celebrated by the federal government as a turning-point in the effort to free Michoacán from the grip of organised crime. However, there are already signs that outside organisations are beginning to move in to take over from the retreating Los Caballeros Templarios (LCT) drug trafficking organisation (DTO).

On 3 April Interior Minister Miguel Ángel Osorio Chong announced that with the arrest of some of the most important leaders of LCT, Michoacán had moved on to “another moment”. At his side the federal commissioner in Michoacán, Alfredo Castillo said that this “new moment” would lead “within weeks” to the disarming of the ‘self-defence’ groups and the withdrawal of their checkpoints on highways. At the time some of the leaders of the ‘self-defence’ groups said that talk about disarmament could only take place after three other LCT leaders on their ‘hit list’ had been captured — a token of the authorities’ earnest in keeping their side of the bargain.

What Castillo had labelled ‘disarming’ was to take on a different meaning when he concluded a formal agreement with the ‘self-defence’ groups on 14 April. The deal was that the ‘self-defence’ groups would have to choose, by 10 May, whether to join the rural police corps or the rural defence force, or simply demobilise — and in the latter case, surrender their weapons.

Implicitly, those joining the rural police or the rural defence force would remain armed; José Manuel Mireles, the leader spokesman of a ‘self-defence’ group, said that it had been agreed, though not explicitly in writing, that they would only have to surrender “large-calibre weapons like the Barrett .40, .50 or .60 [rifles], grenade launchers and that sort of weapons that we seized from organised crime.” The ‘self-defence’ groups will have to register their firearms, which will be subjected to ballistic tests (presumably to determine whether they had been used in unsolved crimes).

What the formal agreement did say was that, until the 10 May deadline, “the self-defence groups and the federal and state governments continue to work in a coordinated manner to locate organised crime targets.” Mireles spelt this out as “advancing and cleansing Morelia, Zamora, all of Uruapan, La Piedad, Zitácuaro, Ciudad de Hidalgo, Álvaro Obregón, San Lucas, Benito Juárez, Chiquiteo, Numarán, Penjamillo and the rest of the municipalities.”

By mid April the ‘self-defence’ groups had claimed that in 35 of the state’s 113 municipalities organised crime had been expelled — but their coordinating body, the Consejo General de Autodefensas (CGA), had reported to the authorities that at least 15 prominent members of the LCT were still operating within Michoacán and in the neighbouring states of Guerrero, Jalisco and Estado de México.

Of the seven LCT leaders on the ‘hit list’ drawn up by the ‘self-defence’ groups, two had been killed — Nazario Moreno González (‘el Chayo’) and Enrique Plancarte Solís (‘el Kike’) — and two had been captured — Dionisio Loya Plancarte (‘el Tío’) and Gerónimo Vásquez Mendoza (‘el Toro’). Three remained at large: paramount leader Servando Gómez Martínez (‘la Tuta’), Fernando Cruz Mendoza (‘el Tena’) and Isidro Virrueta Montejano (‘el Chicano’ or ‘el Coco’).

“Vigilante leaders had already been warning about drug cartels seeking to fill the vacuum left by the LCT and about ‘false self-defence groups’. Mireles said on 8 April, “The fight against the Templarios is encouraging other organisations like Los Zetas to move into our territory. It is important that the authorities, before disarming us, should cleanse the region of criminals and prevent others from coming in.””

Beyond the top LCT leadership, two mayors the ‘self-defence’ groups had accused of collusion with the LCT have been arrested and charged with criminal offences: Uriel Chávez Mendoza of Apatzingán, the strategic hub of the Tierra Caliente region; and Arquímedes Oseguera of Lázaro Cárdenas, the seaport municipality taken over by the armed forces in November — and with the latter the municipality’s treasurer. Chávez Mendoza is accused of having aided the LCT in extorting ‘contributions’ from city councillors; Oseguera of complicity in kidnapping, extortion and association with organised crime.

Emerging threats

The newsmagazine *Proceso* has cited two ‘confidential documents of the federal government’ (sources and status unclear) as warning about the ‘infiltration’ of the ‘self-defence’ groups by criminal groups and the threat posed by recent arrivals such as Los Zetas, the Golfo DTO and the Beltrán Leyva DTO.

According to one of these documents several alliances have been struck between outside organisations and factions of those operating within Michoacán:

- Miguel Gallegos Godoy (‘el Migueladas’), leader of a local group known as Los Gallegos; and Nemesio Oseguera Cervantes, leader of the Cartel de Jalisco Nueva Generación (CJNG), which in turn is allied with the Sinaloa/Pacífico DTO. Gallegos has also been identified as linked to ‘false self-defence groups’.
- LCT leader Servando Gómez Martínez and the Golfo DTO.
- The late Enrique Plancarte Solís and remnants of La Familia Michoacana with the Beltrán Leyva organisation.

The document also mentions Luis Antonio Torres (‘Simón’ or ‘el Americano’) leader of a ‘self-defence’ group of Buenavista Tomatlán, with an estimated following of 1,200 that calls itself Autodefensa Operativa (H-3), which mainstream ‘self-defence’ groups have said is a former associate of the LCT.

Vigilante leaders had already been warning about drug cartels seeking to fill the vacuum left by the LCT and about ‘false self-defence groups’. Mireles said on 8 April, “The fight against the Templarios is encouraging other organisations like Los Zetas to move into our territory. It is important that the authorities, before disarming us, should cleanse the region of criminals and prevent others from coming in.”

On 22 April ‘self-defence’ groups accompanied a large contingent of federal forces into Huetamo, where armed men claiming to be members of ‘self-defence’ groups had established checkpoints on access roads. The authorities reported that 46 ‘false members of self-defence groups’ had been arrested, and 23 firearms, a grenade launcher and almost 3,000 rounds of ammunition had been seized from them.

Estanislao Beltrán, a spokesman for the ‘self-defence’ groups told a radio interviewer that among the detainees were members of the Cartel de Jalisco Nueva Generación (CJNG), an organisation which some officials had earlier portrayed as at least providing weapons to the ‘self-defence’ groups. Initially the ‘false self-defence groups’ in Huetamo had been identified as associated with the LCT [WR-14-16].

On 27 April a group of vigilantes engaged ‘false vigilantes’ who had set up checkpoints around two communities within the municipality of Lázaro Cárdenas. In an exchange of gunfire five of the latter were killed, one was injured and at least 10 were arrested. The authorities later said that these had “presumably been financed by a criminal organisation”, but did not venture to say which one.

Peña Nieto vision

On 28 April Mexico's President Enrique

Peña Nieto said that

in his view the 2014-

2018 national

infrastructure plan will

allow his government

to "build the modern

and more

competitive Mexico

that all Mexicans

want". According to

Peña Nieto this

means having "a

better connected

nation, with roads in

good condition [...]

that will allow Mexico

to take full advantage

of its privileged

geographic position

and exploit its

network of free trade

agreements, as well

as its capacity to

export to the world".

MEXICO | National infrastructure plan. On 29 April President Enrique Peña Nieto presented his government's national infrastructure plan for the 2014-2018 period, which envisions an overall investment of M\$7.7trn (US\$589.84bn) across six strategic sectors. The investment plan is the most ambitious yet presented by the Peña Nieto administration and it is primarily focused on stimulating the economic development of the country's south and south-eastern areas in a bid to eradicate poverty.

In presenting the plan, Peña Nieto said that it comprises 743 projects in the areas of energy, transportation & telecommunications, hydraulic infrastructure, urban development & housing, health, and tourism which, along with the structural reforms promoted by his government, would "unleash Mexico's economic potential". Peña Nieto explained that the plan would help Mexico overcome its infrastructure deficit, which, he said, was now inadequate for the world's 14th largest economy. In the latest Global Competitiveness Index (GCI) compiled by the World Economic Forum (WEF), Mexico was ranked 64th out of 148 countries for the quality of its infrastructure.

"International experience is clear: with bigger and better infrastructure there are more opportunities to attract investment, create jobs and improve family incomes," Peña Nieto said, adding that, "We are talking about having state of the art facilities, airports, roads, ports, high-speed Internet, trains, hydroelectric plants, oil complexes, gas pipelines, hospitals and touristic developments, among other things". He went on to argue that the development of the infrastructure projects would also help make Mexico a more inclusive country, particularly because many of the projects have been specifically designed to address things like the lack of transport connectivity and access to telecommunications that have plagued some areas of Mexico and contributed to their economic underdevelopment.

Pointedly, although energy sector projects are set to receive the bulk of the investment, with M\$3.9trn earmarked for new deep water oil wells, the new hydroelectric power plant and gas pipelines, transport & telecommunications will receive the second largest allocation with M\$13trn that will fund 223 projects, including the construction of new roads, ports and passenger railway lines. Of these projects, Peña Nieto said that the government had opted to focus its attention on the southern and south-eastern areas of the country, where 87% of Mexico's poorest municipalities are located and 37% of the country's poor live.

Finance Minister Luis Videgaray also took part in the launch of the plan. He calculated that the plan would add 1.8-2.0 percentage points to Mexico's economic growth by the end of Peña Nieto's term in 2018 and create some 350,000 additional jobs a year until then. Videgaray explained that the projects would be primarily financed with public funds from Mexico's 32 federal entities, but with contributions from the private sector. In fact Videgaray said that the private sector's participation in the development of the projects would be crucial as the government was looking to work closely with the private sector to undertake the challenges that the some of the project will entail.

Interestingly, following the presentation of the infrastructure plan, the value of the shares of Mexico's largest construction firm, ICA, jumped 5.59% on the Mexican stock market and 5.32% on the New York stock market. This after ICA's CEO, Alonso Quintana, said that the plan offered many opportunities that interested the company.

MEXICO | Secondary energy reform legislation submitted. On 30 April Mexico's energy minister, Pedro Joaquín Coldwell, submitted to congress the secondary legislation necessary to implement the energy reform promoted by the government of President Enrique Peña Nieto and approved by congress last year. The main aim of the reform is to open up the state-owned oil firm, Pemex, to private participation in order to promote increased investment in the country's oil and gas sector over which Pemex has a constitutionally sanctioned monopoly.

The Peña Nieto government says that the reform would allow Pemex to increase its oil production levels to 3m barrels of oil per day (bpd) by 2018, reversing a trend that has seen Pemex's production levels fall since 2004. It wants to be able to implement the reform right away. However, congress finished its latest session on 30 April (and will not reconvene until 1 September) so the government's best hope of getting the reform approved before the end of this year is to convince congress to hold extraordinary sessions to discuss the secondary legislation.

Strikes and protests on eve of elections**Unequal campaign**

“The campaign has been unequal like the lives of Panamanian people” Juan Carlos Varela said in his final campaign rally on 27 April. He also promised “an honest government, at the service of the people and not a business, as it has been until now”. Improving transparency and accountability is a perennial promise of aspiring presidential candidates in Panama where outgoing governments are always accused of corruption.

Disruptive strikes by teachers and construction workers could tip the balance away from José Domingo Arias, the candidate of President Ricardo Martinelli’s ruling Cambio Democrático (CD), in the 4 May general elections. Polls suggest that very little separates Arias from his two opposition rivals, Juan Carlos Navarro and Juan Carlos Varela. With slightly odd timing the police also chose this week to dislodge indigenous activists from the banks of a river in the province of Chiriquí, where they have camped for several months to protest against the construction of a nearby hydroelectric dam, triggering violent clashes.

Both Navarro and Varela focused on populist promises to appease protesters in their final campaign rallies on 26 and 27 April respectively. Arias is banking on Martinelli’s reputation for delivering high growth and big projects, such as the recently inaugurated Panama City metro, pulling him through. Arias is holding off on staging his final campaign rally in the capital until the last possible moment legally, 1 May, in the hope that the government can put an end to the strikes by then.

During his rally, Navarro, the candidate of the Partido Revolucionario Democrático (PRD), promised to “talk with the indigenous, trade unions and teachers” - in other words all three groups protesting against the Martinelli administration. Navarro said that he would create two new ministries: one for indigenous development, led by an indigenous minister; and another for natural resources to create a ‘Green Panama’. He also promised to increase the salaries of teachers “without conditions”; to bring down the cost of the basic basket of goods and “end the supermarket monopoly”; to create a government of national unity; and to convene a constituent assembly to redraft the constitution to “re-found the nation”.

The following day, Varela, the candidate of El Pueblo Primero, a coalition composed of the Partido Panameñista (PPA) and the Partido Popular (PP), staged a rally of his own. He too promised to seek consensus and dialogue and to reduce the cost of the basic basket of goods (specifically by freezing the price of 22 key products), as well as constructing 50 new schools; providing a universal grant for university students; and ensuring access to drinking water for 100% of the population. Again like Navarro, Varela said he would reach out to other parties to form a government of national unity, which he said would respect the popular will and not punish a community for having elected a mayor or representative of another political party. This was a fairly unsubtle swipe at what Varela considers to be Martinelli’s persecution of opposition parties and his elevation of partisan politics above the national interest.

Strike action

Teachers went on a nationwide strike on 21 April to demand a salary of US\$300 per month, a 45% raise, “without conditions” in the form of a performance appraisal to receive the salary adjustment. Some 70,000 construction workers went on strike two days later, affecting 400 construction projects, including the expansion of the Panama Canal. The main construction workers’ union, Sindicato Único Nacional de Trabajadores de la Industria de la Construcción y Similares (Suntracs), is demanding an 80% salary increase for its members over four years.

Electoral fraud?

Erasmus Pinilla, the president of the electoral tribunal (TE), claimed this week that “someone is planning [electoral] fraud and this is why they want to discredit the tribunal”. Pinilla was responding to fierce criticism from members of the ruling Cambio Democrático (CD), who have claimed, among other things, that he does not really possess a law degree from the Universidad de Panamá, and that he has ties to the opposition Partido Revolucionario Democrático (PRD). The president of Partido Popular (PP), Milton Henríquez, alleged that the TE was the only state institution President Ricardo Martinelli has been unable to control.

The prospect of strike action ending before the elections is dim. The Panamanian construction chamber (Capac) has only agreed to budge from its offer of a 20% salary increase for construction workers to 21%. Capac argues that if it agreed to an 80% increase it would need to find an additional US\$400m a year on top of the current annual payroll of US\$1.75bn, and that this could lead to house prices soaring by over 40%. Meanwhile, Panama’s teachers’ union broke off talks with the education minister, Lucy Molinar, on 29 April.

Arias will seek to downplay the protest action as pre-electoral politicking. Instead, he will focus on issues such as the Martinelli administration’s transformation of national infrastructure, especially the Panama City metro, the first line of which Martinelli inaugurated on 5 April. The metro carried 1m people in its first week and, with more than a hint of electioneering, the government decided it would be free until Martinelli’s term ends on 1 July.

Arias will also tout the government’s stewardship of the economy, which has led Latin American growth rates throughout Martinelli’s term. This is impressive but it is also a double-edged sword: it raises expectations, especially as regards earnings. As Saúl Méndez, the secretary general of Suntracs, put it: “in the last eight years construction businessmen have made profits of 337%, while the cost of living has risen by 41% and the cost of the basic basket of goods by 64%. Over the same period construction workers’ salaries have gone up by 18%”.

Indigenous protests

Just after the two strikes began, the police decided to evict indigenous activists on 25 April from the banks of the Tabasará River near the construction site of a hydroelectric dam, Barro Blanco, in Chiriquí province. The police claim they only used tear gas; the indigenous say they used rubber bullets and a mechanical digger. Seven people were injured.

The indigenous Ngäbe Buglé have protested against the dam project for two years, arguing that the reservoir created by the dam will flood their lands and destroy their livelihoods; that the dam is located in their own designated semi-autonomous territory (‘comarca’); and that they were not consulted about it. On 21 April Panama’s supreme court (CSJ) threw out a constitutional complaint filed by a lawyer of the indigenous protesters against the dam, however, arguing that it lacked legal substance.

The police action followed swiftly after this ruling. If the police had delayed moving in for another 10 days until after the elections it would have avoided the risk of negative headlines. Juan Carlos Navarro leapt on the protests as ‘proof’ of President Ricardo Martinelli’s habit of riding roughshod over opposition to projects, without carrying out prior consultations or protecting the basic human rights of Panama’s ethnic minorities.

CUBA | FOREIGN AFFAIRS

Route map agreed for Cuba-EU talks

Negotiators from the European Union (EU) concluded an initial round of talks with Cuban foreign ministry officials in Havana on 30 April in preparation for a new bilateral political dialogue and co-operation agreement, expected to be inked in 2015. The Cuban team was led by the deputy foreign minister, Abelardo Moreno. Christian Leffler, head of the Americas at the European External Action Service (EEAS), said that the two sides had established “the general structure” for future talks and “the principal elements to be included”.

Leffler noted that political and economic issues would be the first priority on the agenda, hinting that EU concerns about civil liberties and democratic participation would be addressed later. He said the two sides had not touched upon the EU ‘Common Position’ on Cuba, dating to 1996, which

State companies given more autonomy

New regulations published in Cuba's official gazette on 29 April give state companies greater administrative and managerial autonomy, including allowing them to retain up to 50% of their earnings after taxes, 20% more than was cited when deregulation details for the state corporate sector were first unveiled back in July 2013. Companies will be permitted to sell surplus products at market prices to non-state third parties, and will be able to operate on the basis of plans approved by their boards, which will no longer be bound by the mandate of their respective ministry. Companies will be allowed to run their own payment systems, again free of consultation with ministries, and will no longer be obliged to return unused reserves to the government, but they will neither be allowed to import or export freely nor form mixed companies with private investors without prior government permission.

conditions full relations on democratic reform on the island, and which the Cuban government rejects outright as sovereign interference. Despite the Common Position, some 18 EU member countries have their own bilateral cooperation accords in place with Cuba, which critics say makes the Common Position somewhat redundant in practice, if not in theory.

There has been mounting pressure for a shift in EU-Cuba policy in recognition and support of Cuba's economic 'updating'; the mass release of political prisoners in 2010 (supported by Spain); and other incremental changes including last year's reform to migration rules. In a historic visit to the island in January (the first by a senior Dutch official since the 1959 Cuban Revolution), the Dutch foreign minister, Frans Timmermans, called for a "revision" of EU policy towards Cuba, while on 12 April Laurent Fabius became the most high-ranking French minister to visit Cuba for more than 30 years. Fabius, who met his peer Bruno Rodríguez and President Raúl Castro, said Cuba's approval of a new foreign investment law was "encouraging" [WR-14-15].

However, in a 10 February statement announcing the European Council's adoption of negotiating directives for an agreement with Cuba, the EU's High Representative for Foreign Affairs and Security Policy, Catherine Ashton, said: "This is not a policy change from the past. Just as we want to support reform and modernisation in Cuba, we have consistently raised human rights concerns which will remain at the core of this relationship". In other words, the Common Position is likely to remain in place for now, potentially until a Cuban 'transition' in 2018, when Castro has pledged to step aside (and at which point the US might also be better placed to engage more actively with the post-Castro administration).

The European Commission and the EEAS are jointly overseeing the talks. Observers say that the inclusion of the EEAS signals the concern of pro-Common Position countries like Germany, Sweden, and some of the former Communist states like Poland and the Czech Republic, to ensure that human rights issues are prioritised. Leffler gave no date for the next round.

TRACKING TRENDS

DOMINICAN REPUBLIC | Concerned about Cafta-DR. The president of the senate, Reinaldo Pared Pérez, announced this week that the senate had decided to form a special commission to analyse the effects that next year's entry into force of the industrial and agro industrial chapter of the US-Central America-Dominican Republic Free Trade Agreement (Cafta-DR)'s would have on the domestic economy. This will take effect in January 2015 and result in the immediate liberalisation of 97% of all industrial products traded between the signatory countries. Various Dominican economists have expressed concern that these could negatively impact the manufacturing sector, which is considered to be ill-prepared to compete.

The senate decision comes after the trade & industry ministry's foreign trade directorate (Dicoex) held a workshop on 25 April for local manufacturers to present the effects that the new Cafta-DR chapter will have and to urge these to "wake up" to the opportunities and risks that will come with it. Dicoex officials explained that come next year some 1,108 items, such as cheese, bacon, alcoholic drinks, furniture, cosmetics and chemical products, will start entering the DR duty free.

Dicoex officials also said that local producers have so far failed to take full advantage of the opportunities afforded by Cafta-DR as the DR continues to have a negative trade balance with its Cafta partners. Since it signed up to Cafta in 2006 the DR's trade deficit with the rest of the group's members has improved from US\$2.96bn but was still US\$1.7bn last year as imports outstrip exports.

The president of the industrial association of Herrera and Santo Domingo province (AEIH), Víctor Castro, said that the high production costs in the DR prevent firms from being competitive and urged the government to address this.

POSTSCRIPT

Quotes of the week

“The guerrilla insurgence began as a response to State violence, and now they are turning the tables on us to try and make the Havana talks a Nuremberg trial for guerrillas.”

-‘Andrés París’ (*Jesús Emilio Carvajalino*), a member of the *Fuerzas Armadas Revolucionarias de Colombia guerrillas negotiating team in the Colombian peace talks taking place in Cuba.*

“It is like renouncing your nationality, your very being, your oath in front of the Bolivian flag to defend our country. It is inconceivable.”

- *Bolivia’s Vice-President Álvaro García Linera on large-scale protests by non-commissioned military officers.*

“Next Sunday is not just any old election, but the most important of the century: imposition and delay which is their path; or liberty and democracy which is our path.”

- *Panamanian opposition presidential candidate, Juan Carlos Navarro.*

Military mutiny stumps Morales

The sight of several hundred non-commissioned officers (NCOs) marching through the streets of La Paz this week to protest against “discrimination” in the armed forces was not one likely to put Bolivia’s President Evo Morales at ease. The fact that they received the applause of the public, many of whom seemed to empathise with their complaint, was even more disturbing for Morales, especially in the same week that the supreme electoral tribunal (TSE) announced that general elections will take place on 12 October this year.

The protest marches began last week after four NCOs who had been calling for internal reform of the armed forces were dismissed on 21 April [WR-14-16]. This triggered marches in La Paz by some 1,000 NCOs, to which the military high command responded to by dismissing 702 NCOs three days later to send a clear signal that this kind of protest in uniform is totally unacceptable. The high command began talks with the demonstrators on 27 April but these were dismissed by a spokesman for the mobilised NCOs, Lorgio Cartagena, who claimed they were being held with NCOs who did not represent those protesting. Cartagena demanded talks with none other than President Morales to explain their position. Another march took place on 28 April from the heights of El Alto down to La Paz, augmented by the wives and families of the many NCOs confined to their barracks, Cartagena claimed.

The government cannot hold direct talks with the military protesters without breaking the chain of command, which Vice-President Álvaro García Linera said was “tantamount to breaking the constitution”. There is a problem with this. It means that the only recourse for the protesting NCOs is to turn to the very high-ranking military officials that are the fundamental cause of their protests. The protesting NCOs are demanding the “decolonisation of the armed forces”, arguing that they are mostly indigenous and yet the officer class is mainly mestizo. NCOs make up 10,000 of the 38,500-strong armed forces.

There are signs that the high command is restoring order in the mutinous ranks. It announced on 29 April that 187 of the NCOs had been allowed to return to their posts. After Sandra López, the representative of wives of NCOs, said that the wives had made written requests to the high command for their husbands to be reincorporated into the armed forces and not punished by being posted to the hinterland, Cartagena appeared to accept that the protests could fizzle out and that any talks are better than no talks. He announced on 30 April that a commission from the national association of NCOs (ASCINALSS) would meet the top brass.

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