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First blood to Zuluaga as Colombian contest goes the distance

Colombia's President Juan Manuel Santos has it all to do if he is to secure re-election. The presidential elections on 25 May produced the expected top-two finish to contest a run-off on 15 June but Santos finished second, with just 25.69% of the vote, some 450,000 votes adrift of Óscar Iván Zuluaga, the candidate of former president Álvaro Uribe (2002-2010)'s Centro Democrático (CD), on 29.25%. Both men moved swiftly to try and win the endorsement of the parties of the three other candidates who performed strongly in the elections ahead of the second round. Encouraging more voters to turn out will be of even greater importance than forging alliances though: the clear winner on the day was abstention, which nudged 60%.

Abstention was the highest in 20 years, the equivalent of 20m Colombians. The opinion polls had shown for months that voters were not particularly enamoured of any of the candidates, although the low turnout was not purely down to disenchantment; the public was well aware that the contest would go to a run-off as no candidate was remotely close to the 50% threshold to win in the first round. Turnout should be higher in the run-off which should favour Santos as the less polarising figure, although Zuluaga has already tacked towards the centre ground.

Marta Lucía Ramírez, of the Partido Conservador (PC), came third in the contest, just 4,000 votes shy of 2m, with 15.52%. Ramírez, who enjoys a good rapport with Uribe, is a natural ally of Zuluaga. She does not speak for the PC as a whole, however, as the party was split by her nomination and key powerbrokers, especially in congress, back Santos. This was confirmed on 28 May when the party met to discuss second-round alliances: 40 out of 59 PC congressmen pledged to support Santos and subsequently signed an accord with him, promising to work for his re-election in their electoral districts. Meanwhile, Ramírez, and a smaller group of congressmen, met Zuluaga, with whom she signed a 'Pact for Colombia'. This promises to give the peace process with the Fuerzas Armadas Revolucionarias de Colombia (Farc) more time, but with conditions and deadlines, and greater transparency about the evolution of the talks.

In a speech directly after the results were announced, Zuluaga reached out to Ramírez who he praised for her "leadership, talent and patriotic vocation". He tried to soften the hard edges of his candidacy by claiming that he is in fact "a friend of peace". He said he would only temporarily suspend talks with the Farc until it declared a ceasefire, and was prepared to offer reduced sentences of as little as six years in jail for top Farc leaders while those guilty of less serious crimes could avoid any custodial sentence. Santos pounced on his proposal, arguing that it would impose "impossible conditions" that would "end the [peace] process". Zuluaga's deal with Ramírez is a further softening of his position.

Farc

The head of the Farc negotiating team, 'Iván Márquez' (Luciano Marín Arango), pointedly refrained from passing any comment on the election results to avoid being misinterpreted. He did, however, accuse Óscar Iván Zuluaga of "putting the cart before the horse". Meanwhile, Zuluaga said in a *CNN* interview that if elected he would "of course" invoke the Inter-American Democratic Charter over the crisis in Venezuela. He also said that Venezuela could not feasibly be a guarantor for the Havana peace talks with the Farc, "because it is a dictatorship".

The PC was the most coveted ally for both candidates, with well-oiled electoral machinery and a nationwide presence, but with a foot in both camps, it is difficult to predict who will benefit most from its voters. Not so with the left-wing Polo Democrático Alternativo (PDA), whose candidate Clara López came fourth with 15.23% of the vote, 40,000 short of 2m. The PDA should confirm its backing for Santos as we go to press. López said the party faced a "very complex decision" as both candidates represented "an economically unjust model" and were only separated over two issues: international relations and peace. But, ultimately the PDA is united in its opposition to Uribe and its support of the peace process. López said her vote was "for peace", while Aída Avella, her running mate from the far Left Unión Patriótica, explicitly backed Santos for the sake of peace. Piedad Córdoba, a prominent leftist and leader of the Marcha Patriótica political movement, said she would vote for peace which meant voting for Santos. Gustavo Petro, the restored mayor of Bogotá, echoed her words.

The Alianza Verde (AV), whose candidate Enrique Peñalosa finished in fifth place on 8.28%, just short of 1.1m votes, released a statement on 28 May, leaving its supporters free to choose but with a clear nod to Santos. The statement noted that not to conclude the peace talks in Havana would be "a historic mistake", and the party's former candidate, Antanas Mockus, who lost the presidential run-off in 2010, threw his weight behind Santos.

Santos insisted that his campaign was not all about peace and had a significant "social content", including housing, education, health and job creation. But, while peace is far from the main voter priority it is likely to dominate the campaign as it is the principal difference between the two candidates. Santos's break with Uribe when he assumed the presidency was purely over managing diplomacy and peace, not in the sphere of macroeconomics, health or education. While Zuluaga is trying to soften his stance on peace, Santos is trying to harden his. He insisted this week that there would be no 'impunity' (a constant criticism emanating from the Zuluaga camp) as it was prohibited by "international treaties and our conscience". He also said there would be no ceasefire because "peace is struck with enemies not friends".

Santos went beyond rhetoric, however, in an effort to win over a public disillusioned with the pace of the talks and the secrecy surrounding them. He announced that he was considering proposing to the Farc dividing the negotiating teams to discuss the remaining two issues simultaneously - victims and the end of the conflict (demobilisation and issues such as prison sentences) - to accelerate the peace process and save time. He also announced the reactivation of the 'national peace council' within 30 days. Speaking at an event attended by López, Petro and Mockus among others, Santos said peace council members would travel the length and breadth of the country to inform the public about the accords struck with the Farc so far and enable civil society to make proposals "to contribute to and endorse this process".

Santos also sought to give his campaign a lift by appointing none other than a former president, César Gaviria (1990-1994), to replace the disgraced Venezuelan publicist, J.J. Rendón, as his campaign chief. Gaviria will use his political clout to try and unite parties within the ruling Unidad Nacional coalition to work harmoniously to get out the vote for Santos which did not happen in the first round. Gaviria has also met López already to discuss the PDA's support, especially in Bogotá, where she excelled, finishing second with 20.41% behind Zuluaga (22.09%) and just ahead of Santos (18.08%). Bogotá, the biggest and most important electoral district, accounted for 20% of the vote on 25 May. Gaviria's other big challenge is to boost the turnout. Colombia's footballers could assist. The run-off takes place the day after Colombia play Greece in the Fifa World Cup in Brazil.

Noise, noise and more noise

With the official government-opposition dialogue on ice for now, the two sides spent the week talking past each other, while there was also plenty of megaphone diplomacy between Caracas and Washington, with a swing through the Galapagos Islands, Bogotá and Moscow for good measure. All this noise was not enough to prevent the deterioration in the latest poverty figures from escaping notice though.

The opposition Mesa de la Unidad Democrática (MUD) and leading NGOs jumped on the latest poverty figures to underline their criticism of the government of President Nicolás Maduro. According to the national statistics institute, the poverty rate was 32.1% of the total population (of just under 30m) in the second half of 2013, up from 25.1% in the same period of 2012, while the extreme poverty rate went from 7.1% to 9.8% in the same timeframe. It is hardly a surprise that the poverty rate is up at a time of soaring prices and scarce essential goods – the poorest are the worst affected by inflation.

Mysteriously, inflation figures for April are still pending, but the national consumer price index looks to have been 5.7% month-on-month, according to private economists, which would bring accumulated inflation to 16.3% in the first four months of the year (with a sky-high annual rate of 61.5%). It is worth noting that Venezuela is posting higher inflation on a monthly basis than some of its neighbours do in a full year (including Ecuador, Peru and also Colombia).

Meanwhile, the central bank reported that its scarcity index (which measures the availability of a basket of essential foods and other consumer items on supermarket shelves), was 25.3% in April, down from a record 29.4% in March. Although this was spun as good news, and suggests that government's emergency food import scheme is starting to feed through (it was initially launched a year ago), some 20 basic items including sugar, ground coffee, cooking oil and tortilla flour, among others, still registered scarcity levels of over 30% in April. Food prices have been hyperinflationary for months on end, continuing at 80.5% year-on-year in March, after 76% in February and 74% in January.

The local NGO Provea issued a statement calling on the government to explain how poverty has risen despite the existence of "36 social missions". "The relapse...should make the government reflect. The worst error would be to fail to acknowledge the reality or to trivialise what is happening", it said, calling on President Maduro to "put himself at the front of the debate".

The flailing economy risks being the Achilles heel for the Maduro administration. According to the latest (May 2014) Venebarómetro poll, 53.5% of Venezuelans did not support socialism in late April, up from 47.5% in February. More worryingly, support for socialism is falling in the lower-income classes that the ruling Partido Socialista Unido de Venezuela depends upon for electoral support, with 50.3% of the D-class, 52% of the C-class and 64% of the A/B-class rejecting the doctrine. On that basis, the government could lose a snap general election.

As if the PSUV needed any reminding of its potential vulnerability in next year's mid-terms, the wives of two opposition mayors sacked and jailed for failing to obey central government orders to remove protest barricades from local streets, won landslide victories in by-elections held on 25 May for their husbands' vacant posts (*see sidebar*).

Electoral setback for Maduro

Patricia Ceballos, whose husband Daniel Ceballos, the former mayor of San Cristóbal (capital of Táchira), was sacked in March and given a 12-month prison sentence, was elected to replace him with 74% of the vote. In San Diego (Carabobo), Rosa Scarano took 88% of the vote to replace her husband, Vicencio Scarano (jailed for 10 months in March). Both women ran on MUD tickets.

Colombia-Japan investment protection agreement

On 27 May Colombia's trade ministry announced that congress had approved in its final debate the bilateral investment protection agreement signed by the government back in 2011. Trade, Industry & Tourism Minister Santiago Rojas said that the approval of the agreement was "good news as it will promote Japanese investment in Colombia". Rojas said that the agreement would help attract Japanese investment to Colombia and promote and protect Colombian investments in Japan, the third largest destination for Colombian investments in Asia. While Japanese investments in Colombia are concentrated in the mining, hydrocarbons and technology sectors, Colombian investors have identified business opportunities in the areas of auto parts, agricultural products, organic chemical products and leather products amongst others.

BOLIVIA | Government authorises Rurelec compensation payment. On 22 May the Bolivian government issued a decree authorising the payment of US\$31.7m to the British energy firm, Rurelec, in compensation for the May 2010 nationalisation of its 50% stake in the local energy company, Empresa Guaracachi SA.

The decision follows the final round of negotiations held between representatives of both parties held back in April in Madrid. Earlier this year, on 2 February, the Permanent Court of Arbitration (PCA) of the International Court of Justice (ICJ) at The Hague ruled in favour of Rurelec and ordered Bolivia to pay it US\$41m in compensation. But the Bolivian government said at the time that the figures provided by Rurelec (whose initial claim amounted to US\$142m) had to be reviewed "according to the arbitration framework" provided by the PCA. Since then the Bolivian authorities have said that Rurelec has waived its claim to unpaid dividends and other obligations to reach a settlement and secure swifter payment.

Bolivia still faces seven other international arbitration cases related to recent nationalisations of utility firms and other assets. One arbitration request was filed in 2005 by Non-Metallic Minerals, a subsidiary of Chile's Quiborax, for the revocation of 11 mining concessions during the administration of former president Carlos Mesa (2003-2005). The other arbitration proceedings have been initiated by Abertis Infraestructuras, Pan American Energy LLC and, most recently, by Red Eléctrica Internacional, in search of compensation for assets seized between 2009 and 2012 by the government of President Evo Morales.

Meanwhile, three other firms are currently still considering filing formal complaints before international courts. In a bid to prevent future cases from making it to international forums, last month President Morales promulgated the 'Ley de Promoción de Inversiones' (investment promotion law). Under the new law, all disputes between foreign investors and the Bolivian State are to be settled in Bolivian courts.

COLOMBIA | First 4G infrastructure project concession awarded. On 22 May Colombia's national infrastructure agency (ANI) announced that it had awarded the first concession under the recently launched 'fourth generation (4G) road infrastructure development' plan. The US\$25bn initiative is part of the government's ambitious plan to radically overhaul the country's infrastructure over the next eight years [WR-13-44]. An ANI statement said that the concession to build the 'Conexión Pacífico 2' 44km double carriage highway linking La Pintada and Primavera in Antioquia department, had been awarded to the P.F.S Concesión La Pintada consortium led by Colombia's Odinsa and Portugal's Mota Engil Engenharia.

According to the ANI, the project, which envisions the construction of a 2.5km tunnel and 69 bridges, will require an estimated investment of C\$910bn (US\$470m) and that it will create 2,800 direct jobs during its construction stage, expected to last five years.

The president of the ANI, Luis Fernando Andrade, explained that along with Conexión Pacífico 1 and Conexión Pacífico 3 (which are also part of the infrastructure development plan and are expected to be awarded later this week), the newly awarded concession will eventually link Antioquia's capital, Medellín, to the country's Pacific coast.

PERU | Record domestic investment. On 26 May, Peru's prime minister, René Cornejo, revealed that domestic investment (DI) levels had reached a new record of US\$56bn. Cornejo's revelation followed the release of a report by the central bank (BCRP), on 23 May, which highlighted that Peru's DI-GDP ratio stood at 28.2% in the first quarter of the year, a slight 0.1% year-on-year increase compared to last year. Cornejo attributed the increase in investment levels to the image of reliability and trustworthiness that Peru projects to the international community.

The BCRP report highlighted that the increase in the DI-GDP ratio was driven by external savings, which increased from 5.5% of GDP in the first quarter of 2013 to 6.6% of GDP in the first quarter of 2014. Meanwhile domestic savings decreased by 0.9 of a percentage point during the period as a result of lower growth in national disposable income levels.

Cornejo said the current levels of DI in Peru are now compatible with those of South-East Asia (pointing out that it has overtaken South Korea's DI-GDP ratio); and that the country's credit rating is one of "the highest in the region". In its latest revision of sovereign debt ratings earlier this month, Standard & Poor's awarded Peru a BBB+, which puts Peru in second place just behind Chile (AA-) in South America.

Security fails first test

Despite the government's repeated claims that an atmosphere of celebration, rather than protest, will dominate the Fifa World Cup in Brazil, the protests keep happening. Strikes and demonstrations in the host cities are too numerous to list, but two incidents stand out. On 27 May around 2,000 protesters, comprising activists from the indigenous community and the Movimento dos Trabalhadores Sem-Teto (MTST), clashed with police outside the Mané Garrincha stadium in Brasília. A day earlier a group of teachers managed to encircle the bus of Brazil's football team as it attempted to leave the city of Rio de Janeiro for its training camp in Teresópolis. An irate President Dilma Rousseff let it be known she has ordered a review of security procedures and insisted, once again, that there would be "no trouble at the World Cup".

The presence of the military police, the federal police and officers from the Brazilian army failed to prevent around 100 teachers, who have been on strike in Rio for the past three weeks, from breaking through the security cordon supposedly protecting the Brazilian team, kicking the team bus and slapping on a number of anti-World Cup stickers. Though the incident was minor, a few of the players were reportedly alarmed by the protest. President Rousseff was furious. On 28 May the defence ministry issued a statement: "Following the incident, various other measures will be taken to ensure this is not repeated." The football teams of Italy, England and Holland are all due to be based in Rio during the World Cup. They arrive at the end of the first week of June.

Brasília

In Brasília on 27 May around 2,000 demonstrators, convened by the city's People's World Cup Committee, marched peacefully on congress. At around 5pm, however, the protest turned violent when they marched on the Mané Garrincha stadium. As the arena is easily accessed on all sides, the police struggled to stop the protesters' approach. Consequently, they quickly resorted to tear gas and stun grenades. The demonstrators responded by hurling rocks. Some of the indigenous protesters, dressed in tribal costumes, fired arrows. One police officer was slightly injured when an arrow grazed his leg.

Coca-Cola, which is currently in the process of flying the World Cup trophy around Brazil, was forced to call off the exhibition taking place next to the stadium. The company said that it could not guarantee the security of the public and turned away the queues of people who had come to see the trophy.

Brasília's stadium is regularly cited as the nonpareil example of excessive World Cup spending. Its original budget has tripled; its final cost looks set to come in at just under R\$2bn (US\$900m). It is the world's second-most expensive football stadium, after London's Wembley. Investigators from Brasília's audit court recently revealed massive discrepancies between the projected and actual costs of construction. Just US\$4,700 was budgeted for transport costs. The final bill was US\$1.5m.

The stadium was built by a consortium led by one of Brazil's largest contractors, Andrade Gutierrez, and Via Engenharia, an engineering firm. In 2012, Brazil's top four political donors were all construction firms. According to a recent report by the Associated Press, Andrade Gutierrez, which was awarded stakes in contracts totalling nearly a quarter of the World Cup's total price tag, spent US\$37.1m on political contributions in 2012, up from US\$73,180 in 2008.

World Cup Law comes into effect

Brazil's World Cup law has now come into effect in the 12 host cities. Among the new regulations: street vendors selling unlicensed products cannot work within a 2km radius of a World Cup stadium; the municipal guard is now at the service of FIFA; only adverts of FIFA-accredited products are allowed to be displayed within a 2km radius of the stadiums. On match days, residents living near the stadiums will require special accreditation to allow them to access their homes.

Interest rates held

After nine consecutive increases, the central bank's monetary policy committee (Copom) decided to hold the benchmark Selic interest rate at 11% on 28 May. It's the first time in 13 months the committee has not adjusted the rate.

Protests elsewhere

While protesters and police were battling in Brasília, metro workers in São Paulo were voting to go on strike on 5 June, one week before the World Cup kicks off. Four cities were hit by bus strikes on 28 May: Rio, Florianópolis, São Luis and Salvador. Although the strike was not well supported this week, local media reported a total of 2.6m commuters across the country were affected. Teachers in Rio also clashed with police on the afternoon of 28 May, resulting in the closure, albeit briefly, of one of the city's main avenues, Presidente Vargas.

Supreme Court postpones judgement on saving accounts

On 28 May the supreme court decided to postpone indefinitely a ruling on the constitutionality of the government's economic stabilisation plans of the 1980s and 1990s. In a judgement last week the court had voted in favour of savers who filed lawsuits against the government over a loss in income on saving accounts affected by the stabilisation policies. Bank stocks rose on news of the latest supreme court decision; recovering from the slump triggered by the original ruling.

The supreme court examined the question of whether investors with money in saving funds during Brazil's economic stabilisation programmes should be entitled to compensation for their losses. Savers filed a lawsuit arguing their funds had not been properly indexed and that the banks who administered their money owed them reimbursements.

BRAZIL | POLITICS

Government sympathiser leads mixed congressional inquiry

Senator Vital do Rego, of the government-allied Partido do Movimento Democrático Brasileiro (PMDB), is going to be a busy man over the next few months. Already the president of the senate-led inquiry [CPI] into allegations of corruption and mismanagement at Petrobras, the state oil company, Do Rego was elected on 28 May as the president of the mixed congressional inquiry. The vote was a disappointment for the government's opponents, who expect the mixed congressional inquiry to make life difficult for President Dilma Rousseff. Considered a "white-wash" by the opposition, the senate inquiry has already been going on for two weeks. It has heard from a number of significant Petrobras executives, including its current president, Maria das Graças Silva Foster, without generating any major headlines.

Terms of the inquiry

The two inquiries will examine a number of issues at Petrobras. First, the purchase of a refinery in Pasadena, Texas, in 2006, for which the government paid vastly over the odds in a deal signed off by Rousseff, then chair of the company's advisory board. Also, the purchase of a refinery of dubious profitability in Japan; Petrobras's alleged attempts to stifle inquiries into price gouging by sub-contractors; political interference in the running of the company; bribes paid to a Dutch shipping firm; losses in its Venezuelan investments; and, finally, Operation Lava-Jato, a massive money-laundering and influence-peddling scheme.

Despite the opposition's hopes, the mixed CPI will still be dominated by government loyalists, including Do Rego, although its members are considered more independent than those in the senate. There will be 32 members on the mixed commission, divided equally between members of the upper and lower chambers; 24 of those will come from the government's allied base.

Abortion figures

Therapeutic abortion was permitted in 1931 but abolished by the military dictatorship of General Augusto Pinochet in 1989. Despite the blanket ban on abortion, Chile is estimated to have the second highest abortion rate in the region, with myriad dangerous procedures taking place in clandestine clinics. Estimates range up to 160,000 abortions a year.

Aside from Do Rego, the vice-president of the inquiry is Senator Gim Argello, of the Partido Trabalhista Brasileiro (PTB), which just last week reaffirmed its commitment to support Rousseff's re-election bid. The committee's rapporteur, Marco Maia, is from the president's own Partido dos Trabalhadores (PT).

Time is the other enemy of the opposition. This session of congress is due to end on 18 July, but the chambers' sitting is expected to be heavily interrupted by the World Cup. The leader of the Democratas (DEM), Mendonça Filho, suggested pushing back the parliamentary recess date to allow the inquiry to continue.

The opposition's attempt to find a CPI president more sympathetic to its cause was hamstrung by a number of notable absences. Senator Aloysio Nunes Ferreira, of the PSDB, was on official business elsewhere, meaning his place was temporarily filled by Aécio Neves, one of Rousseff's main rivals for the presidency. Neves suggested prioritising invitations to the former president of Petrobras Sérgio Gabrielli; the former head of downstream operations, Paulo Roberto Costa; and the financier Alberto Yousseff. All these men are alleged to have been involved in a massive money-laundering scheme that could prove embarrassing for a number of parties, not just the PT.

CHILE | POLITICS

Bachelet forges ahead

President Michelle Bachelet was determined that the first state-of-the-nation address of her second term in office on 21 May would set the tone for her mandate: ambitious and pro-active. The address covered a range of her government's objectives in numerous spheres but what really excited comment was her determination to pass legislation to allow abortion in certain cases. There are few more sensitive issues than abortion in staunchly conservative Chile and Bachelet's proposal was swiftly censured by both Chile's Roman Catholic Church and the ultra-conservative opposition Unión Demócrata Independiente (UDI), the latter arguing that it was deliberately designed to distract attention from her government's recent tax and education reform proposals, both of which were denounced by some 2,500 students and trade unionists gathered outside congress in Valparaíso.

Bachelet devoted a significant chunk of her two-hour address to discussing education reform as part of an overarching aim to "address inequality in all its dimensions". Bachelet argued that "a quality education is the most effective mechanism for reducing inequality" and "a social right that should not depend on the economic resources of students or their families." However, while Bachelet was delivering her speech hundreds of students were protesting outside against the draft education reform proposal recently sent by her government to congress, which while it aims to improve access and the quality of education from pre-school to university pointedly fails to put an immediate end to for-profit education, the key demand of protesting students for years. Student federations argue that the reform proposal is far too timid.

Bachelet also sought to assuage the concerns of the public, and the umbrella trade union Central Unitaria de Trabajadores (CUT), various members of which were protesting outside, about her government's tax reform proposal, which will fund some of the education changes. She insisted that rather than bankrolling the tax reform the middle class and small businesses would benefit from it.

This aspect of the speech was entirely predictable but the surprise came when Bachelet announced her intention to move quickly to legalise therapeutic abortion. Bachelet argued that Chile was one of only five countries in

**Piñera on
abortion proposal**
President Bachelet's
predecessor,
Sebastián Piñera
(2010-2014), tweeted
that "It seems that
the well being of pets
is more important
than the life and
dignity of those who
are yet to be born,"
in reference to
another plan
announced by
Bachelet during her
speech to construct
shelters for homeless
dogs and cats.

the world where abortion is totally outlawed, in addition to the Vatican. "Periodically, we hear from the news about cases of women who get clandestine abortions that put their lives at risk and without doubt mark them with a painful, anguishing experience," Bachelet said in her speech. "Each abortion in our country is a sign that as a society we have reached out too late because prevention is not having the desired results."

Bachelet said that her government would move to legalise abortion in three cases: when the mother's life is at risk; rape; or unviable pregnancies. She said the government would most probably throw its weight behind one of the three initiatives to legalise therapeutic abortion presented in congress by deputies and senators in recent years, which never got off the ground.

Bachelet said a "mature debate" was needed over abortion. The torrent of criticism of the proposal, led by the UDI, suggests this could be wishful thinking. The UDI launched a campaign to denounce the legalisation of abortion on 27 May with the release of a leaflet depicting two pregnant women - on the stomachs of whom are the captions 'they are using me to conceal the tax reform' and 'they are using me to conceal the education reform'. In a subsequent television interview, Bachelet said, "I am a paediatrician and I love children but this is a taboo topic and I don't think there should be any taboo topics as this is anti-democratic".

During her speech Bachelet also defended the idea of quotas in the reform to the binominal electoral system she recently sent to congress [WR-14-18]. She contended that the incorporation of more women would assist in the debate of all issues in Chile, but especially topics such as abortion. The reform would establish a quota system requiring a minimum of 40% of candidates for both chambers of congress to be female.

Tension with Bolivia

At the end of her state-of-the-nation address, President Bachelet discussed foreign relations, ranging from the Pacific Alliance trade treaty, which she said should be "at the service of the region" with Chile working as a bridge between its members (Mexico, Colombia, Peru and Chile), Asia and the Southern Common Market (Mercosur); to the maritime dispute with Peru, recently resolved by the International Court of Justice (ICJ) at The Hague; and the maritime case Bolivia is bringing before the ICJ.

Bachelet was unequivocal that Chile's position as regards its shared border with Bolivia was defined in the bilateral treaty of 1904. Her foreign minister, Hernando Muñoz, elaborated on this several days later: "We have to dispel the myth that Bolivia has no access to the sea. Chile granted Bolivia access to the sea in perpetuity, even if it is not sovereign access [...] There are a host of benefits and facilities which Chile grants it which are better than Chilean businessmen enjoy."

"From the moment that Bolivia filed the suit," Muñoz went on, "the issue of maritime aspiration was totally closed in all of its dimensions. By taking us to [the ICJ] unilaterally Bolivia altered the disposition of the new [Chilean] government to pursue a broad, constructive relationship based upon the 13 points of the original agenda" agreed in 2006 at the outset of the first Bachelet administration. Muñoz said the case was "an underhand way to disown the 1904 treaty [...] This is extremely delicate because it points towards no stability or juridical certainty on such an important issue as border treaties".

Chile is considering challenging the jurisdiction of the ICJ on the grounds that no issue resolved before the signing of the Pact of Bogotá (by the majority of Latin American countries in April 1948) can go before the court. Bachelet has met her predecessors, party presidents and her juridical team and plans to consult congressmen before taking a decision. The cut off point for any challenge is 18 February 2015.

Kicillof strikes a deal with the Paris Club

In the early hours of 29 May, a press release appeared on the Paris Club website confirming the rumours circulating in the Argentine press. "The representatives of Paris Club creditors and of the Government of the Argentine Republic met on 28 and 29 May 2014 and agreed on an arrangement to clear debt in arrears due to Paris Club creditors over a five year period." Absent from the press release is any mention of an audit by the International Monetary Fund (IMF), a previous condition for Argentine debt restructuring. Axel Kicillof, the economy minister, had made it clear he would not accept any intervention by the IMF. The deal marks a significant step towards Argentina being able to borrow on international markets again.

Talks resumed in Paris on 28 May, after Kicillof first travelled to the French capital in January with a new offer on how Argentina could restructure its US\$9.7bn debt. Japan is the main creditor with 30.6%, followed by Germany on 27.7%; Holland, 8.7%; the US, 7.6%; Italy, 7.5%; Spain, 5.2%; Switzerland, 4.1%; Canada, 3%; France, 2.5%; the UK, 1.3%; and Austria 0.9%.

Details of the deal remain limited at press time, but according to the Paris Club website, the restructuring should clear Argentina's arrears with its creditors within five years. A minimum payment of US\$1.15bn is to be paid by May 2015; the following payment will be due in May 2016. Argentina's economy ministry said that it will make an initial capital payment of US\$650m this July and US\$500m in May 2015. Crucially, from Argentina's perspective, the agreement means that Paris Club members' export credit agencies are now free to resume their activities, opening up a way for Argentina to access international capital.

Argentina's foreign reserves have fallen by 27% over the past year to a low of US\$28.5bn, and the country is desperate to return to the capital markets in order to avoid a balance of payments crisis. The stand-off with those creditors who refused to accept a write-down of its defaulted bonds continues. On 12 June the US Supreme Court is due to issue another ruling in the long-running saga. At some point Argentina could find itself having to decide on whether to pay around US\$3bn to its hold-out creditors or risk triggering a default.

Government divided over interest rates

Kicillof's negotiating skills in Paris have yet to work on his colleague in Buenos Aires, Juan Carlos Fábrega, the president of Argentina's central bank. Kicillof is keen to lower interest rates, while Fábrega has indicated he will only consider doing that if inflation falls below 2%. After devaluing the peso by about 20% in January, the central bank nearly doubled interest rates to around 30% to stabilise the currency and contain inflation. Under the government's new, more reliable methodology, monthly inflation was 3.7% in January, but fell to 1.8% in April. With this progress on the inflation front, and signs that the economy is on the verge of recession, Fábrega cut rates to around 27%.

Speaking at a lunch to business leaders on 28 May, Fábrega said the central bank's measures had steadied the currency and increased bank deposits. He added that devaluation had helped boost exports by making Argentine goods more competitive abroad. Fábrega predicted that the bank's US\$28bn foreign reserves would remain steady this year, and pointed to the better-than-expected soy crop as the guarantor of that stability. The government has been urging farmers to sell the grain quickly to avoid another run on the currency. Fábrega also became the first prominent official to acknowledge that the central bank had intentionally devalued the currency in January. Both Kicillof and the cabinet chief, Jorge Capitanich, had previously blamed the devaluation on greedy speculation by the local subsidiary of Royal Dutch Shell.

Unhappy farmers

Eduardo Buzzi, head of the Federación Agraria Argentina, said on 28 May that he is considering putting forward a motion calling for a national strike at the next meeting of the Mesa de Enlace, the group of anti-government agricultural leaders. Buzzi argues that government failure to engage with his group has led to severe floods in some areas and a resulting loss of crops.

The transmogrification of 'Subcomandante Marcos'

Even in Mexico, where the 'Day of the dead' is a national holiday, the death of 'Subcomandante Marcos' and his rebirth as 'Subcomandante Insurgente Galeano' last week was odd. Marcos, the enigmatic and reclusive leader of the Ejército Zapatista de Liberación Nacional (EZLN) who shot to prominence in 1994 with an armed uprising in the southern state of Chiapas, issued a long communiqué early on 25 May in which he said that he "no longer exists" and would cease to lead the movement. He said the new "chief and spokesman" of the EZLN would be 'Subcomandante Moisés'.

After five years of self-imposed exile from public life, Subcomandante Marcos appeared for a few minutes on 24 May, mounted on horseback smoking his pipe, at an event in La Realidad, in the Chiapas municipality of Las Margaritas, to pay homage to 'Subcomandante Insurgente Galeano'. This was the *nom de guerre* (derived from the Uruguayan writer and journalist Eduardo Galeano) of EZLN leader José Luis Solís Sánchez, who was killed in La Realidad on 2 May during clashes between the EZLN and the Central Independiente de Obreros Agrícolas y Campesinos Histórica (CIOAC-H), an indigenous peasant group which broke away from the EZLN in 2001.

Hours later Subcomandante Marcos (identified by the State in 1995 as Rafael Guillén Vicente, a professor born in 1957), read out a 10-page statement to the media in which he said he would make no further public appearances and hinted at a generational change at the helm of the EZLN under 'Subcomandante Moisés'. "Now those who were small or not even born at the start of the uprising are leading the fight and directing the resistance," he said.

Subcomandante Marcos said that his persona was a mere hologram which would now evanesce. "Marcos went from being a spokesman to a distraction. If you allow me to define that old Marcos, I would say, without hesitation, that he was a clown." He said Marcos had been part of a "strategy" to bring national and international attention to the plight of Mexico's indigenous people, which he succeeded in doing, although the EZLN system of autonomous governance has been far from an unqualified success in terms of bringing prosperity to its areas of influence in Chiapas, where indigence prevails.

Intriguingly, Subcomandante Marcos also denied suffering from a terminal illness. "We fed those rumours because it was convenient for us," Marcos said, adding that "indigenous wisdom challenged modernity in one of its bastions: the media".

The statement Subcomandante Marcos read out was signed 'Subcomandante Insurgente Galeano'. Marcos explained that "In order for Galeano to live and satisfy impertinent death, we think that one of us must die [...] So we have decided that Marcos will cease to exist today."

* Mexico's commissioner for indigenous dialogue, Jaime Martínez Veloz, told the United Nations permanent forum on indigenous issues this week in New York that his government was committed to harmonising Mexican law with the UN declaration on indigenous rights. He acknowledged the "complexity of the process" but promised that "sooner rather than later this legislative harmonisation will be a reality in our country". Last December Martínez Veloz said the government would present a constitutional reform to harmonise Mexican law with the UN declaration on indigenous rights by "around February [2014]".

Marcos on Marcos

"The last great trick of the hologram was to fake a terminal illness and deaths. Those who loved and hated Subcomandante Marcos now know that they hated and loved a hologram."

Forging an alternative PAN

While Gustavo Madero extended an olive branch, calling on PAN state party leaders and congressmen to work with “one voice, objective and spirit”, Ernesto Cordero set about touring Mexico, starting in the central state of Querétaro and moving on to Tlaxcala, to try and forge a powerful new internal faction within the PAN. Cordero has formed a team including one of the founders of the PAN, the nonagenarian Luis Héctor Álvarez, as well as a senator for Tlaxcala, Adriana Dávila; federal deputy Maximiliano Cortázar; and a former federal deputy, Raquel Jiménez. Cordero said that “from this team will come the strength to change our party and to become an alternative government once again”.

Madero's call for PAN unity falls on deaf ears

The president of the right-wing opposition Partido Acción Nacional (PAN), Gustavo Madero, called on members of his party on 22 May to rally round and set aside “petty thoughts of revenge” after he secured his re-election in the party's first party presidential elections four days earlier by defeating Senator Ernesto Cordero Arroyo. Cordero recognised his defeat but emphatically rebuffed Madero's call for party unity. Instead, he embarked on a nationwide tour on 25 May of every state to win support for the creation of a new PAN movement.

Madero took 57% of the vote to 43% for Cordero. Some 75% of the PAN party membership took part in the contest, which marked the first time that the PAN has elected its national leader through direct internal elections, in which party members were eligible to take part: up until now the party president has been chosen by party directors.

Madero and Cordero fought a bitterly divisive electoral campaign. Cordero, who gave up his seat in the senate to compete in the party leadership contest, accused Madero of turning the PAN into a satellite of the ruling Partido Revolucionario Institucional (PRI), by supporting the agenda of President Enrique Peña Nieto manifested in the ‘Pact for Mexico’, which, Cordero claimed, was designed to help perpetuate the PRI's hegemony. Madero argued that he was merely ensuring that the PAN was able to play a key role in some of the seismic reforms being pushed through in Mexico.

The significance of Madero's victory was not lost on Peña Nieto who, pointedly, congratulated him. Peña Nieto knows just how crucial PAN support will be for the passage of secondary legislation to enable the government's key energy reform. Cordero still controls a strong faction of the PAN in congress, however, and is now intent on “not resting until Panismo is reconstructed” (*see sidebar*).

TRACKING TRENDS

MEXICO | Revising forecasts down. On 21 May Mexico's central bank (Banxico) lowered its economic growth forecast for the year from 3%-4% to 2.3%-3.3%. Banxico's revision was announced in its latest quarterly report, which came just ahead of the release of the official first quarter GDP figures by the national statistics institute (Inegi) on 23 May. Banxico explained that the decision to revise the forecast was taken after analysing the “domestic economy's behaviour over the last couple of months and the expectations about the determinants of growth for the US”.

Despite general market expectations that both the Mexican and the US economies would begin to show signs of a stronger economic recovery this year, this has so far failed to materialise. Inegi's first quarter GDP figures confirmed that domestic economic activity in Mexico is still struggling to pick up, as GDP growth in the first quarter was only 1.8% higher than in the same period of 2013, when year-on-year growth was just 0.6%.

Mexico's finance ministry slashed its growth forecast for the year from 3.9% to 2.7%. The deputy finance minister, Fernando Aportela, attributed the weak first quarter GDP results primarily to the “extremely bad” economic climate in the US and to a lesser extent to lower domestic demand resulting from the fiscal reform promoted by the government of President Enrique Peña Nieto.

Economic activity in the US increased by a meagre 0.1% year-on-year in the first quarter, much lower than expected, reducing the level of external demand for Mexican goods. However, Aportela's recognition that the fiscal reform had also negatively impacted on growth laid the Peña Nieto government open to criticism. In a clear bid to counter this, Peña Nieto said during a banking conference on 27 May that the economic reforms promoted by his government will be “decisive” to reverse the “weak” level of economic growth that Mexico has observed in recent decades. The finance minister, Luis Videgaray, backed this up by pointing out that the new growth forecast was still “slightly higher” than Mexico's average growth rate of 2.4% since 1980.

New attorney general takes office

The outcry over the February 2014 ruling by Guatemala's constitutional court (CC) stipulating that the term of attorney general Claudia Paz y Paz [WR-14-07] should end in May 2014 rather than December 2014 ultimately failed to have an impact. Earlier this month, her successor, a former supreme court president (2011-2012), Thelma Aldana, was sworn in for a four-year mandate. Civil society groups have expressed concern, not only about the process surrounding Aldana's election but also her alleged links to the right-wing Partido Patriota (PP) of President Otto Pérez Molina (himself a former head of military intelligence [D-2]), raising doubts about the future of anti-impunity efforts under the current government.

The CC's February ruling had been based on the argument that two transitory articles in the 1993 constitution (24 and 25) stipulate that the selection process for the attorney general should start in January, with the appointee to take office in May. Paz y Paz, a respected human rights activist, had been named to the post in December 2010 by then-president Alvaro Colom (2008-2012) after her predecessor, Conrado Reyes, was ejected in June 2010 a month into his mandate, over alleged links to organised crime. Paz y Paz, who along with the United Nations (UN)-backed anti-impunity commission in Guatemala (Cicig), was credited with reducing impunity levels for "crimes against life" to 72% in 2012, down from 95% in 2009, had maintained that she was not appointed to serve out the remainder of Reyes' mandate but rather begin a fresh four-year term.

Despite outcry from local and international human rights groups, like the respected human rights office of the archdiocese of Guatemala (ODGHG) and the Washington-based NGO, Center for Justice and International Law (Cejil), the selection process to pick Paz y Paz's successor went ahead. On 9 May President Pérez Molina named Aldana from a shortlist of six candidates drawn up by a special commission comprising the president of the supreme court, deans from university law faculties, the president of the board of directors of the bar association (Cang), and the president of the Cang's ethics tribunal. Controversially Paz y Paz was excluded from the list.

Four days earlier, five international human rights groups, including Cejil, released a statement expressing "concern regarding the inconsistencies and irregularities in the election of the attorney general", while Cicig's director, Iván Velásquez Gómez, a Colombian jurist, said the omission of Paz y Paz from the shortlist was "surprising" given her achievements.

Part of the criticism surrounding the appointment of Aldana (who took up the post on 17 May and freely describes herself as being "of the Right") centres on the alleged involvement of a powerful political operator, Gustavo Herrera, in the process. A businessman linked previously to the now defunct party, Frente Republicano Guatemalteco (FRG), of former military dictator Efraín Ríos Montt (1982-1983), Herrera has been accused by prominent local civil society groups, like Acción Ciudadana and Movimiento Pro Justicia, of ties to the ruling PP and, specifically to Vice-President Roxana Baldetti, the PP's general secretary. President Pérez Molina has denied links to Herrera, who in 2004 faced allegations of drug trafficking and in 2009 was accused of stealing funds from Guatemala's social security fund (IGSS), although he was not convicted.

Ríos Montt

Of particular concern is the future of the landmark efforts to bring Ríos Montt to justice to face charges of genocide and human rights violations committed during the civil war (1960-1996). Ríos Montt was convicted of the

Homicides down

On 14 May

Guatemala's interior minister, Mauricio

López Bonilla, said

that he expected a

16.4% reduction in

homicides this year

compared with the

previous year. He

said that the national

forensics institute

(Inacif) had reported

1,559 violent deaths,

17.4% less than the

same period in 2013.

He also said that this

would bring the

homicide rate down

to 29 per 100,000

inhabitants from 39 in

2012, the year the

Partido Patriota (PP)

government led by

President Otto Pérez

Molina took office.

Portillo sentenced

Last week a US Federal Court sentenced Guatemala's former president, Alfonso Portillo (2000-2004), to 70 months in prison for money laundering. This followed his guilty plea in March 2014 [WR-14-12], after he was extradited to the US in May 2013. According to a US Justice Department statement, between December 1999 and August 2002 Portillo received US\$2.5m in bribery payments from the government of Taiwan, in exchange for using his influence "to have Guatemala continue to recognise Taiwan diplomatically". Along with the rest of Central America (bar Costa Rica), Guatemala continues to maintain diplomatic links with Taiwan rather than China.

charges in May 2013 (Paz y Paz's role in this was also attributed to her ejection) but the CC subsequently overturned this ruling [WR-13-20]. As well as Aldana's alleged links to figures connected to Ríos Montt, her assumption of the post comes amid signs that government policy is now to deny outright that genocide took place in the civil war in which over 200,000 (mainly indigenous) people were killed and for which the Guatemalan State (chiefly the military) has been accused by a UN-sponsored truth commission of 93% of the human rights violations committed.

On 13 May, the 158-member unicameral national congress issued a non-binding resolution (approved by 87 votes) denying that genocide took place in the period. The resolution states that: "It is legally impossible [...] that genocide could have occurred in our country's territory during the armed conflict". A week earlier, in the UK, Interior Minister Mauricio López Bonilla denied that genocide took place. This all follows another development which aroused concerns regarding impunity in relation to the Ríos Montt case – namely Cang's unprecedented decision taken on 4 April to suspend for a year Justice Jasmín Barrios, the president of the high risk court that sentenced Ríos Montt.

Both moves have prompted a response from local and international actors alike. On 16 May the Inter-American Commission on Human Rights (IACHR) issued a press release stating that the congressional declaration "does not constitute a constructive step [...] to investigate and punish grave human rights violations and to fight against impunity". International human rights NGO Amnesty International released a statement four days later noting that the resolution "contradicted a 1999 UN investigation, which concluded that genocide and crimes against humanity had occurred". As regards Barrios's suspension, both the UN Office of the High Commissioner for Human Rights (OHCHR) in Guatemala and the US embassy separately issued statements expressing concern over the decision and questioning the independence of Guatemala's institutions – the OHCHR on 8 April and the US embassy on 22 April.

PANAMA | FOREIGN RELATIONS & POLITICS

Mending regional spats

President-elect Juan Carlos Varela, of the opposition Partido Panameñista (PPA), has received various boosts both on the foreign and domestic fronts ahead of taking office on 1 July. Last week saw the promise of improved relations with two regional neighbours – Ecuador and Venezuela - while deals have been reached putting an end to two key sources of domestic unrest – from construction workers and teachers [WR-14-17].

Three days after a 16 May visit to Ecuador by Panama's foreign minister, Francisco Álvarez De Soto, where he met his peer, Ricardo Patiño, Panama's foreign ministry issued a press release announcing that it was revoking the asylum granted in October 2013 to Tito Galo Lara Yépez, a prominent opponent of the Ecuadorean government led by President Rafael Correa. According to the press release, the decision was based on "recent documentation submitted by Ecuador, which noted new elements" indicating the "existence of common crimes and not political persecution".

A former legislator for the opposition Partido Sociedad Patriótica (2007-2013), Lara Yépez had received a 10-year prison sentence in September 2013 for being an accomplice to a triple homicide in August 2011, and Panama's initial decision to grant him asylum had proven one of two causes of recent bilateral tension [WR-14-06]. The other was Ecuador's initial refusal to hand over the 'Doria', a vessel bearing a Panamanian flag seized in Ecuadorean waters in October 2013 after it was found to be carrying 799kg of cocaine. Again this bone of contention appears to have been resolved: on 21 April, Ecuadorean judicial authorities said the ship could go.

Panama Canal expansion project

The 7 May deal struck between Panama's construction workers' union, Sindicato Único de Trabajadores de la Construcción y Similares (Suntracs) and the local construction chamber, Cámara Panameña de la Construcción (Capac) ending the strike was considered particularly important given the completion date for the US\$5.2bn Panama Canal expansion project has already been pushed back to early 2016 following a dispute at the end of last year with the international consortium in charge of the project- Grupo Unidos por el Canal (GUPC), which resulted in the project's suspension for two and a half months. On 6 May the Panama Canal administrator, Jorge Luis Quijano, told reporters that each day of the strike meant daily losses of US\$1m.

Also last week, Panama's foreign ministry announced that Panama and Venezuela would reopen their consulates as per a proposal put forward by the Venezuelan government led by President Nicolás Maduro. Maduro severed relations with Panama last March in protest at Panama's efforts at the Organization of American States (OAS) to discuss the internal political situation in protest-hit Venezuela. Venezuela accused President Ricardo Martinelli of interfering in its internal matters and of being a US lackey [WR-14-09].

President-elect Varela has declared that repairing relations with Venezuela will be a priority – which, despite the clear ideological differences between Varela and Maduro, is not surprising given existing trade concerns [WR-13-27].

Strikes resolved

Last week Panama's teachers signed a deal with the education ministry (Meduca), ending a strike which began on 21 April. The teachers had objected to a US\$900 salary increase announced on 21 February by President Ricardo Martinelli which was to be implemented in three stages over the next nine years and conditional upon performance reviews.

With the full details of the 23 May deal yet to be made public, the local press reported that teachers will receive a US\$150 monthly raise with no conditions, as of 1 July, plus an additional US\$150 monthly increase once plans for self-evaluation performance appraisals have been implemented in schools. Teachers will not be sanctioned for participating in the strike, but will have to make up for lost class time.

Just over two weeks earlier, a deal was reached between Panama's main construction workers' union, Sindicato Único de Trabajadores de la Construcción y Similares (Suntracs) and the local construction chamber, Cámara Panameña de la Construcción (Capac), ending strike action that began on 23 April, which paralysed 400 so-called major infrastructure projects – including the Panama Canal expansion project (see *sidebar*).

Under the 7 May deal between Suntracs (which groups together some 70,000 workers) and Capac, construction workers will get an average wage increase of 35% over the next four years. Suntracs had been calling for an 80% increase over four years, while Capac had initially offered a 21% increase.

CUBA | POLITICS & FOREIGN RELATIONS

“Just another Potemkin village tour”

So harrumphed Ileana Ros-Lehtinen, the outspoken South Florida Republican representative and former chair (2011-2013) of the House Foreign Affairs Committee, in response to the three-day visit to Cuba this week by the president of the US chamber of commerce, Thomas Donohue. The trip by the head of what effectively amounts to the world's most powerful business lobby group came on the heels of last week's open letter by some four dozen former government officials, retired military officers and business leaders, including the influential Cuban-American sugar magnate Andres Fanjul, to President Barack Obama, calling for change in US-Cuba policy.

Ros-Lehtinen may complain, but the momentum in the US ahead of the November 2015 mid-terms, not least in Miami, is firmly in favour of relaxing the trade embargo and promoting engagement. It is a short window of opportunity - and US-Cuba relations have been here before, but perhaps never before with such gathering dynamism. Meanwhile, the high-profile dissident blogger, Yoani Sánchez, scored a lengthy interview with US Vice-President Joe Biden to mark the launch – in Cuba – of her new digital newspaper, 14ymedio. The launch was not without teething problems. No sooner had it gone live than the site went down. Sánchez says it has been hacked, but it still remains freely available outside the country.

Technology

In asking Vice-President Biden about opening up technology and information avenues to Cuba, Yoani Sánchez tactfully did not raise the question of 'ZunZuneo' (the US government-backed 'Cuban Twitter'), but Biden was clear that the US government "will keep looking for practical ways to support greater connectivity and to help remove obstacles that stand in the way of open communication and free expression... We want Cuban citizens to be able to communicate more easily with each other and with the outside world". Curiously, it has been reported by some Cuba watchers that 'ZunZuneo' is effectively alive and well under another name, 'Despierta Cuba'.

Tom Donohue, long an advocate of the removal of the half-century-old embargo, cheerfully dismissed the sharp criticism coming his way from Ros-Lehtinen and Senator Bob Menendez (D, NJ) telling foreign journalists, "I've been free to go where I want. I'm talking to people from the private and the public sector". Donohue, who was scheduled to meet some of the new private sector cooperatives and give a speech at the University of Havana, said that "We're going to meet with small businesses. We're meeting with people from other countries that are operating here. I think we'll get a fair look, and we're enjoying ourselves".

Menendez, the powerful chair of the senate foreign relations committee, had warned Donohue that his trip was a PR gift for a government that "jails foreign business leaders without justification, violates international labour standards and denies its citizens their basic rights. Such conditions hardly seem an attractive opportunity for any responsible business leader". Donohue countered by saying that "The great thing about the United States is that everybody is entitled to their opinion including the members of the Congress and the Senate. We happen to have a different view. We think this is a very positive opportunity."

Apart from Menendez, Biden told Sánchez in no uncertain terms that the biggest obstacle to the Obama administration's tentative outreach to Cuba remains the case of the imprisoned US government subcontractor Alan Gross. "I cannot emphasise enough that Cuba's continued detention of Alan Gross is a major impediment to improved relations between the United States and Cuba. We can be as creative as we like with our policy, but Alan's case remains at the top of our list for resolution," he emphasised.

TRACKING TRENDS

DOMINICAN REPUBLIC | Obama responds to TPP concerns. On 25 May, a letter sent by US President Barack Obama to the Dominican Republic's President Danilo Medina addressing the latter's concerns about the negative effects that the proposed Trans-Pacific Partnership (TPP) trade agreement could have on Central America's textile industry was released to the press.

The TPP is a proposed expansion of a 2005 economic integration treaty originally negotiated between Brunei, Chile, New Zealand and Singapore, and now set to include the US and a number of other Latin American and Asian countries. Back in November President Medina sent a letter to Obama in which he outlined his concerns that the concretion of the TPP agreement could have very negative effects for US trade partners that had signed up to the US-Central American-Dominican Republic Free Trade Agreement (Cafta-DR). In particular, Medina pointed out that a free trade agreement between the US and Asia-Pacific nations would undermine the delicate balance struck under the Cafta-DR to ensure that the Central American textile industry benefits from preferential access to the supply of intermediate goods produced in the US (yarns and fabrics), as well as to the US's apparel market.

In his letter, Medina warned that any alteration to this balance could lead to "economic and social instability" in the Central American and Caribbean sub-region if its textile industry suddenly found itself unable to compete and loses its share of the US market, which could lead to job losses. However, in his reply, Obama asserted that US negotiators currently working on the TPP agreement "recognize the unique nature [...] in regional economic integration" of the Cafta-DR agreement and that they "are mindful of the degree to which US suppliers are integrated with producers in the Dominican Republic".

Obama went on to point out that he had instructed the US negotiators to take into consideration Medina's concerns as well as the extensive discussions about the TPP held in May 2013 between the representatives of the US Department of Commerce and the ambassadors of Cafta-DR signatory countries; and the recent consultation on the topic between officials of the US State Department and the National Security Council with the Dominican ambassador to the US, Aníbal de Castro.

Quotes of the week

“In three weeks’ time, Colombians will have two options: they will be able to choose between those who want to end the war and those that would prefer a war without end.”

Colombia’s President Juan Manuel Santos reacts to the presidential election results.

“The years pass by and nobody is eternal.”

Members of Nicaragua’s bishops’ conference encourage dialogue in a letter to President Daniel Ortega.

“The truce has failed. Not just because of the [mara gangs] who struck the pact but because public opinion became opposed to it.”

El Salvador’s President Mauricio Funes.

Peru targets drug flights from Bolivia and airstrips in Vraem

Peru’s armed forces are being given the tools to step up the combat of drug-trafficking in the Apurímac, Ene and Mantaro valleys (Vraem), an area over which the government of President Ollanta Humala is increasingly determined to exert State control. Peru’s defence minister, Pedro Cateriano, revealed in recent days that the armed forces will acquire six radars to help combat the influx of drug flights into the country, mainly from Bolivia; a satellite from France to monitor the construction of clandestine airstrips in the Vraem and the movements of drug-traffickers, among other things; and 24 Mil Mi-171Sh ‘Hip’ multi-purpose helicopters from Russia, to operate in the inhospitable area. On top of this Peru is buying 20 new KT-1P trainer and light attack aircraft from South Korea, which will also operate in the Vraem.

Cateriano visited several areas in the Vraem last week including the military base of Incahuasi, one of 10 new installations that the Humala administration has constructed over the course of the last year, high on a tree-covered mountain peak, with the capacity to hold 170 soldiers. Cateriano refrained from revealing the location of the radars for security reasons but he said their purpose would be to track drug flights from Bolivia into the Vraem where narco-traffickers and the remnants of the Sendero Luminoso guerrillas work together. Cateriano said that the security forces were focused at present on destroying clandestine airstrips which have sprung up in the Vraem. Cateriano said they would be greatly assisted by imagery from a French-built submetric satellite, Asrosat-300, the government is purchasing for US\$213m, which will also help to locate cocaine labs and to crack down on illegal mining, illegal logging, and contraband smuggling, although this will not be launched into orbit until 2016.

Cateriano said that the first eight helicopters from Russia would be delivered in November 2014 and the remaining 16 in 2015. Of the 20 KT-1Ps Peru is buying from South Korea, 16 will be built in Lima and Pisco with technology transfer as part of a US\$208m accord. The first plane will enter the fray in April 2015.

Meanwhile, the government will re-enter the Vraem for the first time this year to eradicate illegal coca crops. The agriculture minister, Juan Manuel Benites, said it was aiming to replace 5,000 hectares of illegal coca crops in the Vraem this year with alternative crops, such as coffee and cacao, as part of Plan AgroVraem, which will subsidise farmers who partake in the scheme. The government’s annual goal is to destroy half of the estimated 60,400 hectares of coca plantations in the country, up from the 24,000 hectares eradicated in 2013.

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