

latin american weekly report

03 July 2014, WR-14-26

ISSN 0143-5280

CONTENTS

BRAZIL & SOUTHERN CONE

CHILE 3

Remodelling "model of democracy"

ARGENTINA 4

Trouble in Chubut

ANDEAN COUNTRIES

COLOMBIA 6

ELN takes gloss off 'Third Way' summit

VENEZUELA 7

Mixed messages from the top

ECUADOR 8

Getting the revolution into the Revolution

TRACKING TRENDS

MEXICO & NAFTA

MEXICO 10

Sketchy details on bloody shootout with army

MEXICO 11

PAN and PRI exchange barbs as clock ticks

TRACKING TRENDS

CENTRAL AMERICA & CARIBBEAN

PANAMA 13

Varela takes office

CUBA 15

Cuban roadshow tours EU as FDI law takes effect

POSTSCRIPT 16

Peru close to returning unwanted tag to Colombia

Quotes of the week

This edition of *Latin American Weekly Report* has been produced for Canning House Corporate Members by LatinNews (www.latinnews.com).

Latin American Newsletters since 1967

Under starter's orders in Brazil

Brazil's election campaign officially launches on Sunday 6 July (which is also the deadline for the registration of candidates), and will dominate the country almost as much as the Fifa World Cup, with which it initially overlaps (the football championship ends on 13 July). The outcome of the three-month political campaign, leading up to congressional, state, and first-round presidential elections on 5 October will depend in part on the network of alliances that were being finalised in the party convention season which ended this week.

It is something of a cliché, but with more than a grain of truth, that in Brazilian elections voters identify with personalities more than with political parties and policies. In a country with strong regional affiliations, this means that politicians tend to be flexible (if not downright opportunistic) in the deals they do. National political alliances are not necessarily repeated at state and local levels: a single party may have various different types of apparently contradictory partnerships at different levels of government. The 2014 election race appears to be confirming this rule. The political parties had to complete their conventions by the end of June, which has meant a last-minute rush of coalition deal making.

As the dust on the party conventions settles the broad picture that emerges is one in which there will be 11 presidential candidates and 32 political parties in contention. Among the candidates it is looking as if there are only three serious contenders. Number one in the opinion polls is President Dilma Rousseff of the ruling Partido dos Trabalhadores (PT), seeking re-election on a broadly centre-left platform with the support of a coalition of eight parties. Underscoring Brazil's ideological flexibility, Rousseff's coalition includes both the Partido Comunista do Brasil (PCdoB) and small rightist parties such as the Partido Republicano da Ordem Social (PROS). Second in the polls is Aécio Neves of the broadly centre-right Partido da Social Democracia Brasileira (PSDB), also supported by eight smaller parties. And the third contender is Eduardo Campos of the Partido Socialista Brasileiro (PSB) in a coalition of five parties.

Very crudely, the opinion polls have been indicating that a little over one third of the electorate is backing Rousseff, another third supports all of the other presidential candidates put together, and a final third is composed of the "don't knows" or those who say they will spoil their ballot papers in a protest vote. This three-way split is important: it suggests Rousseff may struggle to get more than 50% of the vote she needs to win the presidency in the first round. It is highly likely that a second round run-off will be held between Rousseff and one of the other two top contenders on 26 October.

TV time

Election analysts say TV advertising has always been a powerful factor in Brazilian presidential races. According to rough calculations the campaign to re-elect President Dilma Rousseff is expected to have about half the available TV time. Her campaign managers say they will use it to explain the achievements of the government.

Much of the last two weeks of June saw the top candidates seeking to keep party allies on side, prevent defections, and make new friends. On 25 June Rousseff quickly replaced her transport minister to keep one of her allies, the Partido da República (PR) happy (in exchange the PR then announced its formal support for her re-election). Earlier Rousseff had confirmed that Michel Temer of Brazil's second largest party, the Partido do Movimento Democrático Brasileiro (PMDB) would run again as her vice-presidential candidate. Despite some rumblings of discontent, the PMDB also ratified its support for the governing alliance.

Neves, meanwhile, had been keeping the choice of his vice-presidential running mate open as long as possible in an attempt to attract new parties into his coalition, but in the end he selected a São Paulo PSDB senator, Aloysio Nunes Ferreira, for the role. He had in any case notched up an earlier success by getting another small party, the Partido Trabalhista Brasileiro (PTB) to jump ship, deserting the government alliance and joining his own coalition. Campos separately confirmed the popular Marina Silva, of the environmental movement Rede Sustentabilidade, as his running mate.

One of the reasons small parties are wooed so intensely is that they have something the leading candidates desperately want: television and radio time. Under electoral regulations the candidates will between them have two free 25-minute TV segments per day on Tuesdays, Thursdays, and Saturdays, starting on 19 August. One third of the time is allocated equally between the parties, while the remaining two thirds are distributed according to congressional representation. This formula means that small parties can "punch above their weight" in the amount of TV time they can bring to the campaigns of the main presidential candidates (*see sidebar*).

One of the really important battlegrounds is at state level. While voters can support different candidates and parties at state, congressional, and presidential levels it is assumed that an 'aligned' offer should maximise support. So far, it looks as if Rousseff is ahead in this respect too. She is the only presidential candidate out of the 11 who will be backed by local parties or coalitions in all 27 states. The PT will run alone in 17 states. In seven others (Pará, Sergipe, Alagoas, Maranhão, Amazonas, Paraíba and Rondônia) it will support the PMDB. It will support other parties in the remaining states (so, for example the PT and the PSB, sworn enemies at national level, are actually going to be allies backing the re-election of governor Camilo Capiberibe in the state of Amapá).

In some important electoral districts arrangements can be quite complex. In Rio, Governor Luiz Fernando Pezão, a member of the PMDB, is seeking re-election, but he was snubbed when the party's national ally, the PT, instead opted to support one of his rivals, Senator Lindbergh Farias. So in June Pezão weaved together an alternative state-level alliance to back his gubernatorial candidature, including the PSDB, the Democratas (DEM) and the Partido Popular Socialista (PPS). This means that he is in fact saying to voters "you can vote for me in Rio and for Dilma in the presidency, or if you prefer, for me in Rio and Aécio in the presidency". A non-exclusive option of this type makes sense for Pezão, but dilutes the appeal of the Rousseff re-election campaign in one of Brazil's most important states. Some analysts have as a result spoken of an 'Aécio' movement opening up in Rio. One newspaper called Rio "the capital of political treachery".

Regionalism is also important. Neves, a *mineiro* (from Minas Gerais state) selected Nunes as his running mate not least because the latter is a *paulista* (from São Paulo). One in three Brazilian voters lives in those two states. This regional axis is called *café com leite* (coffee with milk) in memory of the first republic (1889-1930) when dairy-farming Minas Gerais shared political power with coffee-growing São Paulo. In the modern version the PSDB wants to consolidate its vote in those heartlands, but is also aware of the challenge posed by the electoral strength of the PT in the poorer north-eastern states, where the PSDB feels it needs to do better.

US-Chile cooperation

On 27 June, the Overseas Private Investment Corporation (OPIC) approved a loan guarantee of up to US\$230m to support the construction of a 141MW solar power plant in Chile's Atacama desert, a major boost for the Bachelet administration's efforts to diversify Chile's energy sources. Since June 2013, OPIC has approved almost US\$900m of loan guarantees for the construction of six renewable energy generation projects in Chile. The US and Chile also signed a joint statement on energy cooperation. Areas of increased collaboration will include (1) oil and natural gas development, (2) electricity grid policy, technology, and management, (3) renewable energy, and (4) energy efficiency.

BRAZIL & SOUTHERN CONE

CHILE | POLITICS & DIPLOMACY

Remodelling "model of democracy"

US President Barack Obama showered praise on Chile during a visit by President Michelle Bachelet to the White House this week. It was noteworthy that while Obama was hailing Chile as "a model of democracy in Latin America [...] respectful of democratic traditions" and explaining how Bachelet "knows as well as anybody how difficult it was to bring about democracy", back home Chile's ruling Nueva Mayoría coalition was busy forging an alliance which could finally dismantle one of the last vestiges of the dictatorship of General Augusto Pinochet (1973-1990) – the binominal electoral system which Bachelet recently described as "a thorn in the heart of our democracy [which] perpetuates exclusion".

In his preamble to the press preceding talks with "my second favourite Michelle" in the Oval Office, President Obama complimented Chile for having been able "to consistently transition from center-left governments to center-right governments". If there was an undertone here it was made more explicit later when he said that they would talk about regional issues, specifically "democratization throughout the region" as "there are obviously still some hotspots that we have to try to address".

Although Obama stressed that relations with Chile remained consistently good no matter who was in power there is no question that Bachelet will be a much more useful ally in the region than her predecessor Sebastián Piñera (2010-2014). Bachelet came to power declaring her intention to overhaul Chile's foreign policy to expunge "ideological bias" and forge closer ties with (and perhaps regain a measure of influence over) some of the region's left-wing governments, especially those deemed by Obama to be "hotspots", such as Venezuela. Bachelet responded that it would be "a great opportunity" to discuss regional and international issues, particularly "given the fact that we're also sitting at the Security Council".

Back in Chile, the interior minister, Rodrigo Peñailillo, and the minister of the presidency, Ximena Rincón, were clinching a deal with a group of centre-right dissidents and independents which could obviate the need to strike a compromise with the opposition coalition, Alianza por Chile, to reform the binominal electoral system. Previous attempts to reform the system have always foundered on the lack of any cross-party agreement but the significant majorities obtained by the Nueva Mayoría in both the lower chamber and the senate in last December's general elections means it only needs the backing of five deputies and two senators to reach the qualified three-fifths majority to push through the reform.

The decision by three independent deputies to back the reform was unsurprising but when Amplitud, a splinter group forged out of Renovación Nacional (RN), the junior partner in the Alianza, last January, followed suit this week it gave the Nueva Mayoría three more deputies and a senator. Two further senators representing Democracia Regional, a movement established last December by another RN dissident, Antonio Horvath, and an independent, Carlos Bianchi, would grant the coveted three-fifths majority.

The accord with Amplitud and the independents supports the draft bill sent to congress by the government last May [WR-14-18] to increase the size of the lower chamber from 120 to 155 deputies and the senate from 38 to 50 senators

Coalition tension

Speaking in a radio interview, the president of Democracia Cristiana (DC), Ignacio Walker, insisted that while the ruling coalition was “a good idea, there was “a growing hegemony of a sector of the Left within the Nueva Mayoría, as opposed to the Concertación which was centre left”. Walker has had some recent curt exchanges with President Bachelet over education reform. He also moaned that the DC had only found out about three of the government’s latest reform initiatives when they had already been submitted to congress rather than being consulted on them beforehand.

(although the accord leaves the exact size open in the hope of persuading the RN, which favours an increase to 144 deputies, to back the bill); to fuse electoral districts to create 28 macro districts from which at least three and up to a maximum of eight deputies would be elected through a more proportional system; to introduce a quota system requiring a minimum of 40% of party candidates for both chambers to be female; and to grant representation to indigenous communities.

The RN, incensed at what it sees as the Nueva Mayoría’s attempt to circumvent the need for its support by turning to RN dissidents, was initially very critical of the accord. Bachelet invited the RN leadership to the presidential palace on 2 July in an attempt to win the party over and give the reform greater legitimacy. The ultra conservative Unión Demócrata Independiente (UDI), the senior partner in the Alianza, is resolutely opposed to the initiative and is presenting its own instead (which would leave the size of congress unchanged), even though this will never win the requisite support.

More concerning for the government is that there are also misgivings within the Nueva Mayoría, specifically the most centrist party within the coalition, Democracia Cristiana (DC). The DC is unlikely to go so far as obstructing such a flagship reform but there are rumblings of discontent in the party. The president of the DC, Ignacio Walker, publicly expressed his concern on 30 June about the “decidedly leftist hue” that the Nueva Mayoría coalition has acquired and complained that “80% or 90%” of the DC felt the party was increasingly “ostracised” and its voice not taken into account (*see sidebar*).

ARGENTINA | POLITICS

Trouble in Chubut

After a long spell in power, political parties are prone to suffer from wear and tear and, in the worst of cases, to descend into personal and factional squabbles. This appears to be happening with a vengeance in the Patagonian province of Chubut, where the governor and deputy governor – both members of the Frente Para La Victoria (FPV) faction of the ruling Partido Justicialista (PJ – Peronist Party) appear to be locked in mortal combat.

As interviews go, this one set off a few fireworks. The deputy governor of Chubut province, Gustavo Mac Karthy, on 30 June told the local website, *Infoglaciario*, that the governor, Martín Buzzi, had deliberately and irresponsibly increased provincial debts in order to benefit from commissions and kickbacks.

Mac Karthy highlighted the issue of Bodic 1 provincial development and infrastructure bonds worth US\$220m in October last year. The province had borrowed much more than it needed, about six months before it needed it, he said. Why had it done so? “Without a doubt, because of the commissions on the deal,” Mac Karthy responded. He said claims by an opposition provincial deputy, Roberto Risso of the Unión Cívica Radical (UCR), that the loan was arranged to maximise automatic rollovers, each generating new interest payments and fees, were correct. Asked if he was accusing the governor or any other officials of impropriety, he responded, “They are all in it”.

Behind the accusations lies a furious political dispute. Although they are both from the same party and in the same administration, Mac Karthy and Governor Buzzi are not on speaking terms. Buzzi, who has not responded to the allegations, was controversially elected in 2011 amid claims and counter-claims of voting fraud. His predecessor and onetime mentor, Mario das Neves, has now defected to the dissident Peronist movement led by Sergio Massa, known as the Frente Renovador (FR). Analysts think that under new

Cloned cow

Rosita ISA was the first bovine born in the world (in April 2011) that incorporated two human genes that contain the proteins present in human breast milk (lactoferrin, which provides infants with anti-bacterial and anti-viral protection, and lysozyme, which is also an anti-bacterial), a significant development for the nutrition of infants. President Fernández declined the “honour” of having the cow named after her. “They came to tell me that the name is Cristina, but what woman would like to have a cow named after her? It appeared to me to be more appropriate to call it Rosita,” Fernández said.

colours Das Neves could win back the governorship in the elections due next year. In the meantime Buzzi is fighting for his political survival.

The governor accuses his estranged deputy together with former federal agriculture minister Norberto Yauhar of conspiring against him. Indeed, both men are backing an enquiry into allegations that the provincial government acted improperly in the expropriation of Alpesca, an oil company. Buzzi says this is a pretext by his enemies to prepare the ground for an impeachment attempt. He also claims he is being attacked by an “amalgamated coalition of political and economic interests” which opposes Chubut’s stand asserting provincial rights to oil revenues. This is a reference to an attempt by Miguel Galuccio, chief executive of the state-owned oil company Yacimientos Petrolíferos Fiscales (YPF), to standardise the way federal and provincial oil revenues are shared, which has been opposed by some provinces.

In May it was announced that at least 15 more shale oil and gas wells will be drilled in the province this year, boosting speculation that Chubut may be sitting on significant hydrocarbon reserves. (In the nearby Vaca Muerta basin, neighbouring Neuquén province has been shown to have one of the world’s largest shale deposits.)

While Buzzi has not responded to Mac Karthy, one of the former’s ministers, Javier Touriñan, has. Touriñan noted about the bond issue that “the deputy governor was part of all this and now, one year later, he suddenly makes a public denunciation of it”. Another FPV member, the mayor of the provincial city of Comodoro Rivadavia, Néstor Di Pierro, has expressed frustration with both sides: “a slim favour they are doing to the party, these people who exchange accusations: I hope a court prosecutor intervenes to sort this out,” he said.

For the national FPV leadership and President Cristina Fernández, Chubut could be, in microcosm, an awful harbinger of the future awaiting the party if it cannot maintain internal discipline. For that reason, as next year’s elections draw closer, there will be growing pressure from Buenos Aires to end the infighting.

Cloned sheep in Patagonia?

President Cristina Fernández probably wishes she could use Argentina’s world-renowned scientist, Adrián Mutto, to clone politicians in Patagonia to end the unedifying infighting within the ruling Frente Para La Victoria (FPV). Mutto, who won a prize last year for cloning a cow known as Rosita ISA (see sidebar) to produce milk that is similar to breast milk, is poised to begin a new project to multiply and genetically enhance sheep in Patagonia.

Two-thirds of Argentina’s sheep are concentrated in Patagonia but the herds have been seriously affected by two recent natural disasters: a devastating drought in 2009 and the eruption of the Puyehue volcano, over the border in Chile, in 2011. It is estimated that some 900,000 sheep died between the drought and the volcanic ash belched out by Puyehue two years later which covered thousands of hectares of grazing land, leading to a state of emergency being declared in northern Patagonia.

Mutto’s idea consists of inseminating sheep in the Biotechnology Research Institute in Chascomús in the province of Buenos Aires, freezing 400 embryos and 2,000 doses of semen per year and then sending them to different parts of the Patagonian provinces of Chubut, Neuquén and Río Negro. This would get around the sanitary cordon erected south of the Río Colorado (which separates the Patagonian provinces from northern Argentina), forbidding animals being transported in on foot because it is an area free of foot and mouth disease. The project, which will be financed by the Inter-American Development Bank (IDB), requires an initial investment of US\$1.3m.

Mutto said the embryos would be produced this year and swiftly passed on to producers so the results should be felt by 2016. Mutto said the project currently only applied to sheep but would be extended to other domestic livestock in the future.

ELN takes gloss off 'Third Way' summit

A group of former world leaders, including former US president Bill Clinton (1993-2001) and former British prime minister Tony Blair (1997-2007), gathered for a much-trumpeted 'Third Way' summit on 1 July in the Caribbean port city of Cartagena where they signed a declaration throwing their full weight behind the peace process being pursued by President Juan Manuel Santos to end Colombia's longstanding armed conflict. In the run-up to the summit, however, Colombia's second guerrilla group, Ejército de Liberación Nacional (ELN), served notice of the challenge that still lies ahead for Santos.

Santos announced the re-launch of his 'Third Way' development strategy in Cartagena flanked by not just fellow disciples Clinton and Blair but also the former presidents of Brazil, Chile and Spain, Fernando Henrique Cardoso (1995-2003), Ricardo Lagos (2000-2006) and Felipe González (1982-1996) respectively. Santos paraphrased Blair in defining the 'Third Way' as using "as much market as possible and as much State as necessary".

Blair himself elaborated on the 'Third Way' in Colombia's specific case as "a peace process that is motivated by the heart but governed by the head, and what it means in this case (what you have been doing) is to be very tough on issues of security." Meanwhile, Clinton urged the completion of the peace process without which, he said, "you will never get to the final reconciliation of your country". He warned, however, that even a completed peace process would only be the end of the beginning: "There will always be specific things that you would still have to work out over the years ahead."

While those attending signed a five-point declaration expressing unanimous agreement that peace would enable Colombia to advance with leaps and bounds towards greater prosperity and social justice, the ELN declared three days of "armed strikes" in the north-east to mark the 50th anniversary of the guerrilla group's formation. The ELN said the "armed strikes", which amount to a complete lock down on all commercial activity, transportation and freedom of movement, would be enforced in the departments of Arauca, Boyacá, Casanare, Santander and Norte de Santander. They began at 6am on 3 July and will extend until the same time on 6 July. The commander of the ELN's Frente de Guerra Oriental (FGO, eastern war front), Manuel Vásquez Castaño, explained in a disseminated leaflet that advance warning had been given so that the public can "'prepare' and not be taken by surprise".

The ELN has significantly increased the tempo of its armed attacks since the re-election of President Santos on 15 June. It was responsible for the placement of two cylinder bombs which exploded in the complex of Colombia's second most important oil pipeline, Caño Limón-Coveñas, in Arauca on 29 June, injuring 13 workers and relatives celebrating mass. This followed three attacks on the pipeline itself, in the previous 10 days, paralysing production. Vásquez Castaño explained that the attacks were designed to confront "the plunder of the oil companies". On a visit to Arauca, the defence minister, Juan Carlos Pinzón, said the ELN would not succeed in pressuring the government with "an act of utter cowardice" which he said "violates all aspects of human rights".

The ELN's intensified activity began just nine days after Santos revealed on 10 June that exploratory talks with the group began in January to agree to an agenda for peace negotiations. As with the peace process with the Fuerzas Armadas Revolucionarias de Colombia (Farc), however, the government refused to agree to a bilateral ceasefire to accompany talks, and the ELN appears determined to show not only that this was a mistake but also its capacity for armed activity.

First indigenous naval officer

Francy Jael Hernández Sosa, 24, is the first female indigenous Colombian to become a naval official. Hernández Sosa, of the murui indigenous community in Amazonas, received the rank of corvette lieutenant (roughly equivalent to a US Navy ensign) from President Juan Manuel Santos last week. Hernández Sosa said she would not rest until she had risen to the rank of admiral. The navy first admitted women in 1997.

Mixed messages from the top**Peeved allies**

The left-leaning professor Vladimir Acosta told the Venezuelan daily *El Nacional* that President Maduro's comments about 'izquierdistas trasnochados' (roughly, the 'sleep-deprived [outmoded] Left') had seriously angered allies of the ruling PSUV, such as the Partido Comunista de Venezuela (PCV) and Patria Para Todos (PPT), who believe that criticism is an essential part of the Revolutionary process. "Yes, we stay up all night a lot because we study more," was the biting riposte of Oscar Figuera, the PCV secretary general.

Heeding 'friendly' advice to act like a statesman, President Nicolás Maduro has extended a conciliatory hand to the 'delirious Left', inviting their input into his newly announced 'sacudón' – or shake-up – of the government. While Maduro is playing good cop, Diosdado Cabello, the president of the national assembly and effective leader of the ruling Partido Unido Socialista de Venezuela (PSUV), continues to play bad cop ahead of the party's national congress, warning in no uncertain terms that malcontents can simply pack up their bags and leave. So the message from the top is simultaneously 'rectification' and 'row in behind your man'.

President Maduro said that the government, all ministries and state companies, would be thoroughly revised in the first fortnight of July, as part of a "global restructuring" to make the administration work to "maximum efficiency" and with "maximum honesty" and with "better links to the people". He said that proposals would be welcome, along with criticism and "the self-criticism that always accompanies us". He did not say whether proposals from the recently fired planning minister, Jorge Giordani, would be welcome.

Clearly, Maduro got the message that he needs to at least pretend to listen, even as Cabello is making clear his message that "maximum unity" is the only way, not least given the threat from the 'mad, bad and dangerous to know' opposition. This tactic of polarisation between two extremes, 'all or nothing' positions is more typical of election time – the fact that it is now being used inside the Revolution itself seems indicative of serious fractures internally.

If in doubt turn to Cuba – and Cuba is sending over a 78-year old former battle companion of Che Guevara, Orlando Borrego, to lead the global restructuring along with Vice President Jorge Arreaza and Giordani's successor as planning czar, Ricardo Menéndez.

There is some irony in the fact that Giordani, an arch Marxist and a firm believer in a centrally planned state, is not being included in this Cuban-directed restructuring. Giordani's worst nightmare might be a Cuba-style 'actualización' (updating), which effectively amounts to rolling back the state to create space for a private sector.

Another blackout blamed on sabotage, then wind

There was another round of confusing official explanations following yet another massive power blackout across wide swathes of Venezuela including the capital, Caracas, on 26 June. The electricity minister, Jesse Chacón, first said on State television that a failure at a power station in the centre of the country forced other stations offline. Fourteen of Venezuela's 23 states were affected. President Nicolás Maduro later suggested – as ever – some kind of sabotage for the "unusual" incident. Subsequent government explanations suggested that unseasonably windy weather was to blame.

However, the Federación de Trabajadores de la Industria Eléctrica (Fetraelec) issued a statement on 29 June complaining that the state power company, Corporación Eléctrica Nacional (Corpoelec), was "sinking in neglect and abandon" because of Chacón's "exclusionary and capitalist management". It attributed the blackout to "a lack of maintenance" with "no materials to fix the innumerable faults".

Fetraelec also accused Chacón of authoritarianism and – revealing its real complaint – of "lacking the will" to discuss a three-year collective contract deal with the union.

Getting the revolution into the Revolution

Timeframe

The president of the national assembly, Gabriela Rivadeneira, said that assuming the constitutional court responds in the affirmative (by the end of August at the latest), there would be a first debate immediately on the proposed constitutional reforms, followed by public forums and then a final debate in August 2015 when the reform would take effect. This would leave plenty of time for President Correa to seek re-election in 2017.

The ruling Alianza País (AP), perhaps using the distraction of the Ecuadorean national team's appearance in the Fifa World Cup in Brazil, has moved at breakneck speed in the national assembly to advance a series of reforms described by President Rafael Correa as "truly revolutionary". Not all of the proposed reforms appear 'revolutionary'. Some, such as amending the constitution to allow indefinite presidential re-election and to limit 'democratic participation' by the public, might be better described as reactionary.

The president of the national assembly, Gabriela Rivadeneira, last week sent the constitutional court (CC) 17 proposed reforms to the constitution for the CC to decide whether the assembly can approve them or whether they have to go to a referendum as the political opposition is demanding. Rivadeneira anticipated the CC's response by arguing that as the proposed reforms were not structural no referendum would be required.

The reforms include minor details such as lowering the age for being able to run for president and vice-president from 35 to 30; and potentially seismic changes, such as indefinite presidential re-election; and a clause describing communications and information as not simply a private business but a "public service" which has to be "guaranteed for society in a suitable way" - the latest bone of contention in Ecuador's perennial dispute over freedom of expression.

Perhaps the most controversial proposed reform, however, is the removal of the three words 'on any matter' from the end of the sentence 'Citizens will be able to request a referendum'. This is arguably the most serious blow to the government's much-vaunted commitment to 'democratic participation' by the public, enshrined in the Montecristi constitution of 2008, since President Correa took office in 2007. By circumscribing recourse to a referendum, the government intends to reduce its accountability, so that if in the future it decides to abandon a core campaign commitment, such as not exploiting oil in the Yasuní national reserve, it will not have to fight tooth-and-nail to prevent the public from holding a referendum on the matter.

Financial reform and water law

The government also sent the national assembly a new monetary and financial code on 25 June (as Ecuador was playing a decisive match against France in the World Cup). This creates a new regulatory council for the financial system which, much like the body created to regulate the media, would depend directly on the government. It would have significant clout to control and sanction the private banking sector, which would have no representatives on the council at all. Appearing before the assembly to put the case for the new law (which, marked 'urgent', must be voted upon within 30 days), the economy policy minister, Patricio Rivera, and the president of the central bank, Diego Martínez, argued that it was essential to have stricter controls over the financial system which "privileges capital over human beings". They said the new law would "change the power relations which have historically prevailed in Ecuador."

Four years after it first excited controversy among Ecuador's indigenous groups, the so-called water law (to be discussed in detail in our next edition) has also finally been approved by the national assembly. Indigenous groups converged on Quito on 1 July after an 11-day march to protest against the law. They argue that they should have a place on a new water management board created by the law in order to be able to vote to stop big mining projects which they adjudge to imperil water resources near their communities.

Colombian families spend more

According to data published on 29 June by a market research company, Raddar, the annual growth rate of household consumption in Colombia reached 11.7% last May, and could further expand to 13% in the next three months.

Raddar attributes the increase in consumption levels to rising employment (8.8% in May, down by 2.3 percentage points from January), improved job stability and higher family income.

Entertainment is the area of household expenditure that has grown the most, going up by 15.5% during the cited period. The increase in household spending has also been accompanied by a decrease in personal loans, which went from an annual growth rate of 20.56% in December 2011 to 8.7% in April 2014.

BOLIVIA | Natural gas and hydrocarbon production on the rise. Production of natural gas and liquid hydrocarbons (oil, crude and natural gasoline) in the first quarter of the year increased respectively by 7.54% and 9.76% over the same period last year, Bolivia's state-owned energy firm, YPF, revealed in a quarterly bulletin. The average daily production of natural gas between January and March 2014 was 61.38m cubic metres (mcm), whereas the average output of liquid hydrocarbons over the same period reached 63,650 barrels per day (bpd). The highest monthly average output for both products was registered in February, with 62.87mcm of natural gas and 65,310 bpd of liquid hydrocarbons produced. The most productive gas plants were those of Sábalo and Margarita-Huacaya, which accounted for the 31.1% and 23.4% of total production. The gas fields of Sábalo, Margarita-Huacaya and San Alberto also generated the majority of the liquid hydrocarbon production during the first quarter, accounting for 72.4% of the total.

COLOMBIA | Cerrejón mine reopens after six days of picketing. On 26 June multinational mining firm, Cerrejón, Colombia's leading coal producer, announced that it had successfully negotiated the lifting of the picket set up on the railway leading to its eponymous open-pit coal mine by security workers. Since 20 June, employees of the local private security firm, Sepecol, had been protesting against the termination of the firm's contract with Cerrejón by blocking the railway that links the mine with the harbour of Puerto Bolívar, preventing coal shipments.

Sepecol's contract is due to expire at the end of the month and Cerrejón has already revealed that it will not be renewed, putting over 700 jobs at risk. The majority of Sepecol workers belong to the Wayúu indigenous group, which made the issue even more sensitive. However, in an official communiqué, Cerrejón said thanks to the mediation of the labour ministry, the mining ministry, and the regional government of La Guajira, it had reached a deal with the workers by which 80% of them would be kept on by the new contractors. Cerrejón, which last year was affected by over a month of strikes by its workers resulting in a 4.6% fall in production that year, added that the railway has now been cleared and that coal shipments were immediately resumed.

PERU | Gasoducto Sur concession awarded. On 30 June Peru's investment promotion agency, ProInversión, announced that Gasoducto Sur Peruano (GSP), a consortium comprised of Brazilian construction giant Odebrecht and Spanish energy firm Enagás, has been awarded the concession to build the 'Gasoducto del Sur' gas pipeline mega project.

The Gasoducto del Sur project, which contemplates the construction of a 1,080km pipeline to transport natural gas from central Peru's gas fields to the south of the country, was first floated in 2007 but has faced numerous setbacks that prevented its development. The project was revived by the government of President Ollanta Humala in 2012, as part of its efforts to expand the use of natural gas fuel in the country and to promote the economic development of Peru's southern regions. The pipeline is projected to pass through the regions of Cusco, Puno, Arequipa, Moquegua and Tacna, providing the country with a second major natural gas distribution network that will help to lower energy costs in southern Peru significantly, to benefit an estimated 600,000 households.

A ProInversión statement said that GSP secured the 34-year build/operate concession after winning the public tender process with a US\$7.33bn bid and after the other main contender for the contract, the Gasoducto Peruano del Sur consortium (GPdS, comprised of GDF Suez, Sempra, Techint and TGI) was disqualified due to irregularities in its bid. This prompted GPdS to complain that it had been unfairly left out of the process and to announce that it will seek to have the tender process annulled. Edgard Ramírez, the president of ProInversión's energy security committee, said the authorities had found discrepancies in the information presented by GPdS in support of its bid, namely that related to the level of participation of each of the firms in the consortium. According to Ramírez, GPdS has no recourse to appeal the decision.

Peru's energy & mining minister, Eleodoro Mayorga, came out in defence of ProInversión's decision, stating that the consortium had "self-disqualified". According to Mayorga, "when GPdS had to present the economic and technical proposal, it presented a letter in which it modified the [consortium's] composition", violating the terms of the competition.

The project, which also includes the construction of two new natural gas-fired combined cycle plants in Matarani (Arequipa) and Ilo (Moquegua) for a total investment of US\$15bn, is slated for completion in 2018.

Lagarde

On 26 June Christine Lagarde, the director of the International Monetary Fund (IMF), praised Mexico for making “important strides in extending financial services across the country” in the last couple of years. Lagarde’s remarks came during the inauguration of the International Forum for Financial Inclusion, organised by Mexico. Lagarde said that financial inclusion, defined as the provision of affordable financial services for lower-income households, would help drive vigorous and inclusive economic growth, and that in Mexico the number of financial institutions nearly doubled over the past four years. However, Lagarde noted that there are still improvements to be made, as only 27% of the adult population in Mexico has access to financial services, compared to an average of 40% in the rest of Latin America.

Sketchy details on bloody shootout with army

In one of the bloodiest armed clashes since President Enrique Peña Nieto took office, 22 people were reported dead in a shootout with the army in Tlatlaya, Estado de México, on 30 June. The limited amount of information released about the incident has, however, raised concerns about a new lack of transparency in operations against organised crime.

The official account of the incident was terse, even opaque. Patrolling soldiers in Cuadrilla Nueva in Tlatlaya were said to have come across a warehouse guarded by armed men, who opened fire on them. In the ensuing shootout 22 people were killed, all presumed to be members of a criminal gang. One soldier was wounded and three women, who had apparently been kidnapped, were released. Automatic rifles and other weapons were seized.

Alejandro Hope, a security expert and former head of Mexico’s Centro de Investigación y Seguridad Nacional (Cisen), cited by Spanish newspaper *El País*, said, “as in other incidents, we are left with the doubt as to what actually happened. The official account leaves all sorts of unanswered questions. It says two women died and another three, supposedly kidnap victims, were freed. Were the dead women also kidnap victims? But nothing will be revealed, nothing will happen”. Hope’s point is that in other societies, less battered by the cycle of drug and criminal violence, and counter-strikes by security forces, such a major incident would as a matter of course be scrutinised in great detail.

For a number of analysts the problem goes right back to the 2006 decision by former President Felipe Calderón (2006-2012) to bring the armed forces directly into the struggle against the drug cartels. While criticising his predecessor for counter-productively putting the war against drugs on the front page of every newspaper, President Peña Nieto seems to be maintaining a similar policy of militarisation, but surrounding it instead with a media blackout. Typically, official sources did not even name the drug cartel involved (newspapers have speculated that the warehouse may have been a synthetic drugs lab operated by remnants of the La Familia Michoacana cartel, or by Guerreros Unidos, a group said to have emerged from the Beltrán Leyva cartel).

The core problem is that the army is trained to use maximum force, not like the police, the minimum necessary. And without any effective scrutiny it can commit major human rights violations of its own. In June a report by Christopher Heyns, the United Nations (UN) Special Rapporteur on Extrajudicial, Summary or Arbitrary Executions, stressed that the right to life in Mexico remains “seriously threatened”. Over 100,000 homicides had been registered between 2006 and 2012, of which 70% were believed to be drug related. Only 1-2% of those reported homicides had led to successful prosecution and sentencing (that statistic can also be read as meaning every killer has a 98% chance of impunity).

Analysts say that the 22 deaths in Cuadrilla Nueva have very low visibility as they are unlikely to be investigated by the courts, and will not even be counted in official homicide statistics, as they will be classified as casualties in war operations. Heyns concluded that Mexico has an urgent need “to decrease the involvement of the military in policing and to ensure that civilian courts try members of the military accused of committing human rights violations”. In Hope’s words, “the army can use disproportionate force; it turns the issue into a military conflict, not a police investigation”.

PAN and PRI exchange barbs as clock ticks

Time is rapidly running out for Mexico's state congresses to harmonise their legislation with the politico-electoral reform approved by the federal congress. More than half of the country's states are holding elections in 2015 and two of these – Jalisco and Nuevo León – are yet to adjust their legislation accordingly. Mexico's two main parties are at loggerheads over minor points within the reform and both blame each other but there is much more at stake than the elections. The president of the opposition Partido Acción Nacional (PAN), Gustavo Madero, has also conditioned his party's support for the all-important secondary legislation on energy and telecommunications reform on the states adopting the politico-electoral reform. He cannot back down without losing face but ultimately this might mean that it is the PAN and not the federally ruling Partido Revolucionario Institucional (PRI) that has to make concessions.

The deadline set for harmonisation of state legislation with the politico-electoral reform by the federal congress when it approved the 'general law of political parties' was 30 June, although when this was not met by Jalisco and Nuevo León, the national electoral institute (INE) came out and clarified that 9 July would be acceptable. The INE said the electoral process for 2015 would begin on 7 October and state legislation must be approved 90 days before this date, which is 9 July.

Elections are being held in the Distrito Federal and 16 states on 7 June 2015 but most pertinently, Nuevo León is one of six states (in addition to Colima, Querétaro, San Luis Potosí and Sonora) staging gubernatorial elections. The others will be holding mayoral and state legislative elections.

The PAN is determined to win back control of the industrial heartland of Nuevo León from the PRI, having lost it in 2003. It currently controls Monterrey, the state capital of Nuevo León, under Margarita Arellanes, and has 18 of the 42 seats in the state congress. This explains the squabbling over the small print of the new legislation as the PRI and PAN vie for any kind of electoral advantage.

The president of the PRI, César Camacho, accused the PAN of "irresponsible" and "capricious" behaviour, for failing to attend the last four sessions of congress before the 30 June deadline. The PRI and smaller parties control 24 of the 42 seats but 28 are required to make quorum. Camacho accused the PAN of trying to "impose conditions" and of potentially saddling Nuevo León with "endless difficulties" as federal and state legislation will be at odds unless the local legislation is amended.

Madero wasted no time in dismissing this as a slur. He said that the PAN deputies had boycotted the Nuevo León state congress because the PRI governor, Rodrigo Medina, was trying to give "artificial life to minority parties that lack genuine citizen support", going against the "spirit of the reform" which, he said, was to "stop the abuses and authoritarianism of [largely PRI] state governors".

The bone of contention here is the threshold required to register as a party and win representation in the state congress. Madero accused Medina of wanting to reduce this from 3% of the vote to 1.5% to allow the "overrepresentation of satellite parties". The PAN does not want the threshold lowered because it knows that the smaller parties will ally with the PRI, giving it extra seats and a majority.

Unless the differences between the two parties can be resolved, or at least papered over, the deadline of 9 July will also come and go. Ultimately, the PAN is most likely to have to back down on these small issues and provide the necessary quorum or Madero will be left in a very awkward position, having to refuse to allow the PAN to vote on the key secondary legislation on energy and telecommunications reform which it actually supports.

Elections

Elections in 2015 are being held in Baja California Sur, Campeche, Chiapas, Colima, Distrito Federal, Guanajuato, Guerrero, Estado de México, Jalisco, Michoacán, Morelos, Nuevo León, Querétaro, San Luis Potosí, Sonora, Tabasco and Yucatán.

América Móvil

América Móvil had already tried to enter the European market last year, when it attempted but failed to secure a controlling stake in Dutch telecom firm, KPN. However, the telecom watchdogs in Austria, Bulgaria, Croatia, Macedonia, Serbia, Slovenia and Belarus have now all provided the required authorisations for AM to proceed, according to a press release from the firm. The AM dispatch states that the acceptance period for the offer lasts for eight weeks, starting from 15 May and expiring on 10 July.

MEXICO | Water infrastructure investment. President Enrique Peña Nieto announced last week that his government will invest M\$415bn (US\$31.9bn) in the next four years to improve the country's water distribution infrastructure and guarantee supply to all Mexicans. Peña Nieto made the announcement during his closing speech for the 52nd Board of Governors meeting of the World Water Council (WWC), held during the second edition of the Latin American Water Week hosted by Mexico City between 23 and 27 June.

In his speech Peña Nieto said that Mexico is aware of the challenges associated with ensuring national and global water supply, pointing out that due to its climate and geographical position, Mexico is exposed to droughts, heavy rains and hurricanes all of which inflict damage on houses, infrastructure and crops.

Adding that "the days of easily accessible and abundant water are now gone in Mexico as in the rest of the world", Peña Nieto said that water management policies are of the highest importance for his government in order to ensure the long term sustainability the country's water resources.

Peña Nieto said that the main objective of the investment programme was to improve water access for the general population. According to Peña Nieto the per capita availability of water in Mexico has diminished from 18,035 m³ in 1950 to 3,982 m³ in 2013, and "today 35m Mexicans have a scarce water supply".

MEXICO | Norway interested in energy sector. On 30 June Norway's ambassador to Mexico, Merethe Nergaard, declared her country's interest in taking advantage of the opportunity to invest in Mexico's energy sector once the energy reform promoted by the government of President Enrique Peña Nieto allowing for this is fully in place. Nergaard's comments came during a meeting with the governor of Tabasco, Arturo Nuñez Jiménez, in which Nuñez spelled out the investment opportunities that his state offers; and discussed the efforts taken by his government to enhance the local business environment working in collaboration with the World Bank.

According to a communiqué by the governor's office, Nergaard said that "there are many opportunities in Tabasco and fields in which we could cooperate and invest; we have firms interested in coming and sharing their experience, mostly in the energy sector". Nergaard added that Norway, the world's 15th largest oil producer in the world with roughly 1.92m barrels per day (bpd), "keeps an eye on Tabasco", as it plays a significant part in Mexico's oil industry.

During the meeting, Nuñez said that his government was interested in forging closer ties with Norway which could lead to future cooperation and collaboration not just in the energy sector but also in fishing and forestry. Pointing out that a number of foreign oil services firms already have a presence in Tabasco, Nuñez added that his government was considering setting up a new mature oil field research centre in the state, as well as overhauling the Frontera port in Centla in order to turn it into an important offshore oil operations' support centre.

Currently, 75% of Mexico's oil production of 1.9m bpd comes from offshore platforms in the Bay of Campeche, which is shared by the the states of Veracruz, Tabasco and Campeche

The energy reform, which will allow for greater participation of private firms in areas of oil exploration and production, was approved by the federal congress in 2013, but its implementation depends on the approval of secondary laws that are still being discussed by Mexico's legislature.

MEXICO | América Móvil closes in on Telekom Austria. On 30 June América Móvil (AM), the Mexican telecommunications giant controlled by Carlos Slim, announced that the anti-trust authorities of seven European countries have given the green light to its proposed acquisition of Telekom Austria (TA).

AM, which owns 27% of AT's shares, negotiated a deal in April with the Austrian State's stockholding corporation (ÖIAG), which held a 28% stake in TA, in order to join in a syndicate giving AM operational control. The Austrian State will maintain veto power over strategic management decisions thanks to its participation through ÖIAG. By May, AM had presented its takeover offer for the remaining 44.8% of TA's shares, with a proposed €7.15 (US\$9.8) share buyout price.

But the deal then came under the scrutiny of a number of Central European governments concerned that if AM secured control of TA, it would instantly become the dominant market player. TA has 23m clients throughout eight centre- and eastern-European countries (*see sidebar*).

Varela takes office**Re-establishing ties with Venezuela**

On 1 July the Venezuelan government led by President Nicolás Maduro announced the re-establishment of diplomatic ties with Panama. These were severed by Maduro in March in protest at Panama's efforts to have the Organization of American States (OAS) discuss the internal political situation in protest-hit Venezuela. Venezuela accused then-president Ricardo Martinelli (2009-2014) of interfering in its internal matters and of being a US lackey. President Juan Carlos Varela declared re-establishing ties a priority, amid a continued dispute over the failure of Venezuelan companies to pay debts to suppliers in the Colón Free Trade Zone (FTZ). In March the FTZ's general manager, Leopoldo Benedetti, said that these debts amounted to some US\$2bn.

Juan Carlos Varela and his new conservative El Pueblo Primero (EPP) coalition government took up the reins of power on 1 July. A necessary deal reached between Varela's Partido Panameñista (PPA) and its traditional rival Partido Revolucionario Democrático (PRD) the previous day on "legislative governability" will allow him a narrow majority in the 71-member unicameral legislature. While this improves Varela's chances of making good core pledges to reduce living costs, improve public security and strengthen institutional transparency, how far this alliance will continue remains to be seen given the notorious brevity of such arrangements. Varela himself had struck a deal with his predecessor, Ricardo Martinelli, only for it to fall apart two years into Martinelli's term.

The deal was necessary given that the EPP will have just 13 seats in the new legislature, to 24 for the PRD and 33 for Martinelli's Unidos Por Más Cambios alliance (which includes his Cambio Democrático). It commits the two parties to cooperating on legislative proposals covering issues like education; municipal decentralisation; transparency and audits of the mega-infrastructure projects carried out by the Martinelli government, among other things. Under the arrangement, PPA deputy Adolfo 'Beby' Valderrama Rodríguez will assume the presidency of the national assembly for the first year while the PRD will take it for the following two years. Both parties will then return to the negotiating table to determine who will lead the assembly in the final two years of Varela's five-year term.

Cabinet

One factor which did not play into the deal with the PRD was Varela's picks for his 14-member cabinet. Since naming Dulcideo de la Guardia as economy & finance minister soon after his victory on 4 May [WR-14-19], Varela has awarded key portfolios to other prominent *Panameñistas*. These include public security which went to Rodolfo Aguilera. A member of the PPA advisory board, Aguilera previously headed up the (now defunct) Policía Técnica Judicial, an investigative arm of the national police - now known as the directorate of judicial investigation (DIJ) - under the PPA administration led by Mireya Moscoso (1999-2004). Trade & industry went to Melitón Arrocha, a former deputy minister for foreign trade (2000-2003) and deputy minister for the presidency (1999-2000) under Moscoso who also sits on the PPA advisory board. His cabinet also includes PPA members like Alvaro Alemán and Luis Ernesto Carles who held deputy ministry posts under the Martinelli government only to lose them once the CD-PPA electoral deal unravelled in August 2011. Alemán, whose brother José Miguel was the PPA's presidential candidate in 2004, was named minister for the presidency while Carles received the labour portfolio.

One controversial appointment was that of Marcela Paredes de Vásquez as education minister. Teachers' protests were a major headache for Martinelli stemming in part from differences with his education minister, Lucy Molinar, a member of Opus Dei, the conservative Roman Catholic Church institution, and suspicion that Martinelli intended to "privatise the sector" [WR-13-32]. The appointment of Paredes, a former rector of the Universidad Tecnológica (2008-2013) who headed up the education ministry's national university evaluation and accreditation council (Coneaup), prompted complaints from teachers' organisations given that Paredes is also an Opus Dei member who worked closely with Molinar.

The other appointment which attracted attention was that of Canal Affairs given the problems which have beset the US\$5.2bn Canal expansion project which was suspended at the start of the year amid a dispute with the international consortium in charge of the project, Grupo Unidos por el Canal

Growth slowing

President Juan Carlos Varela has said that he intends to continue government social programmes begun by his predecessor, Ricardo Martinelli, such as “100 a los 70”, a monthly (US\$100) stipend for people aged 70 years or older without a pension. He also pledges to continue large infrastructure projects such as expanding the Panama City metro. However, he takes office amid reports of slowing growth. While Panama continues to enjoy among the highest growth rates in the region, registering 8.4% growth in 2013, this is down from 10.8% in 2012 and 10.9% in 2011. The latest official figures from the national statistics institute (Inec) released on 27 June put growth at just 5.8% for the first quarter of 2014, compared with the same period the previous year.

(GUPC). The deadline for the expansion project, which as of 31 May was 76.3% complete on the latest figures from the Panama Canal Authority (ACP), has since been pushed back from June 2015 to early 2016. Varela opted to keep on Canal Affairs minister, Roberto Roy. Named to the post (which serves more as a link between the ACP and other branches of government) in August 2012, Roy heads up the ACP’s board of directors. He will retain his other role as the head of the Panama City metro executive secretariat (a position he has held since 2009) and will oversee the contracting and constructing of the urban rail system’s second line – another of Varela’s key pledges.

Immediate actions

Questions persist as to how far Varela will be able to make good his pledge to improve transparency and punish the alleged corruption that took place under the previous government given Martinelli’s appointment of key officials in the judiciary and other related posts [WR-14-18]. Yet Varela has acted swiftly in relation to another pledge – reducing the cost of living. His first act upon taking office on 1 July was to announce temporary ‘emergency’ price controls on 22 basic goods in order to reduce inflation. While year-end inflation was 3.4% in 2013, down from 5.7% in 2012, inflation was a major voter concern. Year-on-year inflation in May 2014 was running at 3.2% but food and drink prices were up 4.7%. According to Varela – who was clear that he “respects the free market” but is “allergic to any speculation with the basic food of the people” – the price controls will be revised after two months.

In his inauguration speech, Varela also spoke about another declared priority – citizen security. This is also a big public concern despite the fact that Martinelli claimed progress on this front and Panama has one of the lowest homicide rates in Central America, 18 per 100,000 inhabitants in 2013, according to an April US State Department Overseas Security Advisory Council (OSAC) report. As well as reiterating that his security policy would be based on a mixture of repression and prevention, targeting the country’s most deprived areas, in his speech Varela also offered an amnesty until 1 August to “more than 200 criminal gangs” operating in the country, giving them a month to disarm.

In his manifesto Varela proposes transferring officers from the border service (Senafrent); the air and naval units (Senand) and the presidential guards and intelligence agents (SPI) to more traditional police duties in the country’s neighbourhoods. He also pledges to increase prison capacity by a further 5,000 places through the creation of four new prisons. While official capacity is currently 8,670, the population was 14,170 as of the end of 2013.

Cabinet List	
<i>Economy & Finance</i>	Dulcidio de la Guardia
<i>Foreign Affairs</i>	Isabel Saint Malo
<i>Trade & Industry</i>	Melitón Arrocha
<i>Labour Luis</i>	Ernesto Carles
<i>Education</i>	Marcela Paredes
<i>Agricultural Development</i>	Jorge Arango
<i>Social Development</i>	Alcibiades Vásquez
<i>Health</i>	Javier Terrientes – who replaces Varela’s initial pick of Julio Santamaría after the latter said he could not assume the post for personal reasons
<i>Public Works</i>	Ramón Arosemena
<i>Public Security</i>	Rodolfo Aguilera
<i>Housing Mario</i>	Etchelecu
<i>Interior Milton</i>	Henríquez
<i>Minister for the Presidency</i>	Álvaro Alemán
<i>Canal Affairs</i>	Roberto Roy

Mariel

Mariel Port is due to open later this year. Its location clearly suggests that the main traffic will eventually be the US but until a change in US law, the facilities will be able to process imports destined for Cuba's largest domestic market, Havana, and exports to Cuba's current trading partners in China, Russia, Europe and Latin America. The facilities include oil storage and processing, in readiness for any future discovery of oil in commercial quantities in Cuba's deep sea territory in the Mexican Gulf. In the absence of either the discovery of oil or an opening to the US market, the hope is that the port will bring a new revenue stream. Mariel aims to become one of the region's main hub ports, although it faces competition from ports in Jamaica, The Bahamas, the Dominican Republic and Trinidad & Tobago, all of which have the advantage over Cuba of access to the region's main market.

Cuban roadshow tours EU as FDI law takes effect

Cuba's deputy minister for foreign trade, Ileana Nuñez Mordoche, has been in Europe at the helm of an investment mission in advance of the implementation on 30 June of the island's new (April 2014) foreign investment law, which seeks to generate foreign direct investment (FDI) in 11 key sectors including: agriculture and forestry; food; energy and mining; the sugar industry; light chemicals and electronics; pharmaceuticals and biotechnology; steel; construction; tourism; and transport and wholesaling.

According to a press release from the Cuban embassy in London, the high-level delegation, which visited the UK, France, Germany, Italy Spain and Portugal also included Deborah Rivas, the director general for foreign investment at the ministry for foreign trade and investment and Yanet Vázquez, deputy director at the Mariel special development zone, as well as four other senior officials.

The embassy stressed that the new FDI law "substantially improves and updates the terms for foreign investors considering entering Cuba" while it also emphasised the opportunities available in the new US\$900m Mariel Port, which will be operated by Ports of Singapore group and "has sufficient depth to be able to handle the super-post-panamax vessels which will be transiting the Panama Canal once the third locks are complete and offers a large development zone for assembly and manufacturing."

Nuñez and Rivas were at pains to stress that there is "a favourable climate" towards FDI in Cuba these days. With the government led by President Raúl Castro recently revising down its 2014 growth forecast to 1.4%, from 2.2%, and Venezuela mired in chaos, Havana has no option but to seek external capital. Countries like Spain and France, with long established investment links to the island, are there for the long haul – with an eye on the end of the half-century-old US economic embargo – and these players are pushing hard in favour of the current European Union talks with Havana on a bilateral political and economic cooperation agreement, with a second round due in Brussels in late August.

The pro-agreement countries may have to contend with complaints from more cautious EU member states after the latest report from the (unofficial but tolerated) Cuban commission for human rights and national reconciliation, led by Elizardo Sánchez, which put the number of political dissidents temporarily detained for their activities at 963 to June this year, with internationally well-known dissidents like Guillermo Fariñas, Marta Beatriz Roque and members of the Damas de Blanco, subjected to "systematic detentions and other forms of harassment". Low level but consistent repression continues to be the preferred – and most effective – tactic of the Castro administration.

Google, freedom promoter, can't do business in Cuba

Yoani Sánchez of Cuba's new independent news portal *14ymedio.com*, broke the news that Eric Schmidt, executive chairman of Google, led a team to Cuba in late June. Schmidt was accompanied by Jared Cohen, director of Google Ideas (and a former US State department staffer), plus two others. The visitors met Sánchez and other independents, plus Cuban officials and students. According to *14ymedio*, the objective of the visit was "to promote the virtues of a free and open Internet." Google Ideas describes itself as "a think/do tank that explores how technology can enable people to confront threats in the face of conflict, instability or repression". Schmidt has previously been to Myanmar and North Korea. However, observers were quick to point out a host of Google services cannot be offered in Cuba precisely because of the US embargo, slightly making a mockery of the US government's stated intention to improve 'people-to-people' contacts between the US and Cuba.

Quotes of the week

“The cult of the president is over, at least during my government.”

Costa Rica's President Luis Guillermo Solís after signing a decree prohibiting his name on plaques on bridges, roads, buildings, or any public work he inaugurates.

“They are no longer going to play the lottery with the resources of the Ecuadorean people. The financial system is not like a garage or a bakery. We cannot have Dracula looking after the blood bank.”

Ecuador's economic policy minister, Patricio Rivera, on a sweeping financial reform.

“I ask the US President to show Chile's President Michelle Bachelet how to revise treaties and return territory. Treaties can be revised as the US demonstrated in 1999 by restoring sovereignty over the Panama Canal to Panama.”

Bolivia's President Evo Morales.

Peru close to returning unwanted tag to Colombia

Peru will retain the dubious distinction of being the world's largest coca-producing nation for another year. A total of 48,000 hectares (ha) were given over to coca cultivation in Colombia in 2013, according to the annual country report of the United Nations Office on Drugs and Crime (UNODC). This is unchanged on 2012. By contrast, the UNODC revealed that coca cultivation in Peru fell by a significant 17.5% from 60,400 ha to 49,800 ha in 2013 (not quite enough to put Colombia back top of the pile) as the efforts of the government of President Ollanta Humala to eradicate illegal coca reaped dividends.

The UNODC country report said that there had been significant increases in coca cultivation in the Colombian departments of Nariño and Putumayo, bordering Ecuador, and Catatumbo, bordering Venezuela, but that there had been a “general reduction” in the other 20 departments (out of 32) where coca is produced. The UNODC reported that cultivation in Nariño was up 27% on 2012, Putumayo (16%) and Catatumbo (13%). It also said that 14% of coca crops in Colombia were now located within 10km of the border with Ecuador.

It is this area where the Colombian government is keen to take action – and will shortly be able to do so. Last September it struck a deal with Ecuador in exchange for the latter dropping its case before the International Court of Justice (ICJ) over the aerial spraying of glyphosate launched by former president Alvaro Uribe (2002-2010) as part of Plan Colombia. The accord stipulated that Colombian authorities would not be able to spray within 10km of the border over the first year, but that this would reduce to 5km in the second and 2km in the third year of the deal provided that a bi-national scientific commission concluded crops on the Ecuadorean side of the border had not been contaminated.

Whether Peru can retain its pace of eradication in 2014 is a moot point after the contentious recent dismissal of the head of the national drug agency (Devida), Carmen Masías [WR-14-22], who had been keen to begin manual eradication in the Apurímac, Ene and Mantaro (Vraem) rivers valley, where the last faction of Sendero Luminoso guerrillas operate. The Humala administration has opted against this. The UNODC report found that 38.5% of coca crops were located in the Vraem in 2013 but the density of plantations and higher yield of the bushes means production is higher here.

SMi present their 5th annual conference on...

Shale Gas Environmental Summit

Holiday Inn Regents Park | London, UK

27th & 28th
OCT
2014

Key Speakers

- **Mark Ellis-Jones**, Onshore Oil & Gas Programme Executive, **Environment Agency**
- **Paul Crossley**, Leader of the Council and Liberal Democrat Group Leader, **Bath and North East Somerset Council**
- **Harry Huyton**, Head of Climate and Energy Policy, **RSPB**
- **Jim Marshall**, Policy and Business Advisor, **Water UK**
- **Ken Cronin**, Chief Executive, **UK Onshore Operations Group**

www.shalegassummit.co.uk

Register online using voucher code **SMI3A7A** at checkout to save £300
Alternatively, to claim contact **Andrew Gibbons +44 (0) 20 7827 6156**
or email **agibbons@smi-online.co.uk**

LATIN AMERICAN WEEKLY REPORT is published weekly (50 issues a year) by **Latin American Newsletters**, 61 Old Street, London EC1V 9HW, England. Telephone +44 (0)20 7251 0012, Fax +44 (0)20 7253 8193
Email: subs@latinnews.com or visit our website at: <http://www.latinnews.com>
EDITOR: JON FARMER. Subscription rates will be sent on request. Overseas subscription sent by airmail. Printed by Quorum Print Services Limited, Unit 3, Lansdown Industrial Estate, Gloucester Road, Cheltenham, Glos. GL51 8PL
COPYRIGHT © 2014 in all countries. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, electrical, chemical, mechanical, optical, photocopying, recording or otherwise, without the prior written permission of the publishers. Registered as a newspaper by Royal Mail. **REFERENCES:** Back references and cross-references in the current series will be made thus: WR-13-01 will indicate Weekly Report, 2013, issue 1.