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Nicaraguan Canal route unveiled

The route of the 'Gran Canal', Nicaragua's biggest-ever infrastructure project, has been revealed. The government of President Daniel Ortega and the Hong Kong-based HKND Group, which was awarded the build-operate concession for the US$40bn inter-oceanic project in June 2013, ended what had been a major source of speculation last week. Nicaragua has since been a hub of diplomatic activity. Ortega received Russian President Vladimir Putin – in the first-ever visit by a Russian head of state – and the vice-president of the US Chamber of Commerce on the same day on 11 July. Both countries are eager to be involved. The Costa Rican foreign ministry, meanwhile, joined indigenous and ecological groups in Nicaragua in expressing concerns about the proposed route, suggesting the Canal could provide a new source of bilateral diplomatic tension.

On 7 July the governmental canal committee and HKND presented the route for the 278km Canal stretching from the mouth of the Brito River on Nicaragua's Pacific coast to the Punta Gorda River on the Caribbean. Of this total distance, 105km will pass through Lake Nicaragua. As well as the Canal itself the project envisages the construction of two ports on the Pacific and the Caribbean linked by a railway; a Free Trade Zone; an international airport; a tourist complex, and a road network. According to the presentation, the Canal will be between 230m and 520m wide and 27.6m deep, allowing the passage of vessels that can carry up to 25,000 TEUs (twenty-foot equivalent units). This compares favourably with the Panama Canal expansion project which will allow Post-Panamax vessels to transit through the Canal, with up to 13,000 TEUs (up from the current 5,000).

One apparently significant motivating factor behind the route selection was to cause the least impact to indigenous and environmentally protected lands and areas of biodiversity. The committee spokesperson, Telémaco Talavera, an academic and presidential adviser, told reporters that the project, which President Ortega claims will create 50,000 jobs during the construction stage and over 200,000 jobs when it opens in 2020, still faces environmental and social impact studies that could recommend amendments to the plan. Talavera said the studies should be completed later this year so that work can begin by December 2014.

Civil society groups were quick to respond to the announcement regarding the route. The next day, Víctor Campos, the deputy director of Humboldt, a prominent local environmentalist organisation, outlined 11 concerns. In response to Talavera, Campos pointed out that a minimum of eight months is required by law for the environment ministry (Marena) to make a decision on big projects. Humboldt also noted that in addition to the impact on Lake Nicaragua, the largest lake in Central America, the route will directly affect the San Miguelito wetlands, an area cited by the 1971 inter-governmental Ramsar Convention on Wetlands as being of international importance.

Firming up ties with the Kremlin

President Putin's visit to Managua is the latest sign of burgeoning bilateral ties, which have gathered pace since the Frente Sandinista de Liberación Nacional (FSLN) government took office for a second time in 2007. Putin's brief stop-over in Managua follows a visit to St Petersburg between 22 and 24 May by a high-level Nicaraguan delegation, headed up by Nicaragua's finance and trade ministers, Iván Acosta and Orlando Solorzano Delgadillo, respectively. In April Russia's foreign minister, Sergey Lavrov, visited Managua where he and President Ortega reaffirmed bilateral ties. Among other things, this cooperation has centred on security, with the announcement last year of a Russian-built centre in Managua to train up Central American and Caribbean anti-drugs officials [WR-13-17].

Another Humboldt activist, Maura Paladino, said the project would affect 277 local communities directly (326 indirectly) and questioned the lack of official information. One of the communities affected - the indigenous Rama and Kriol (GTR-K) in the South Atlantic Autonomous Region (Raas) through which the Canal will pass - issued a statement expressing concern about its impact.

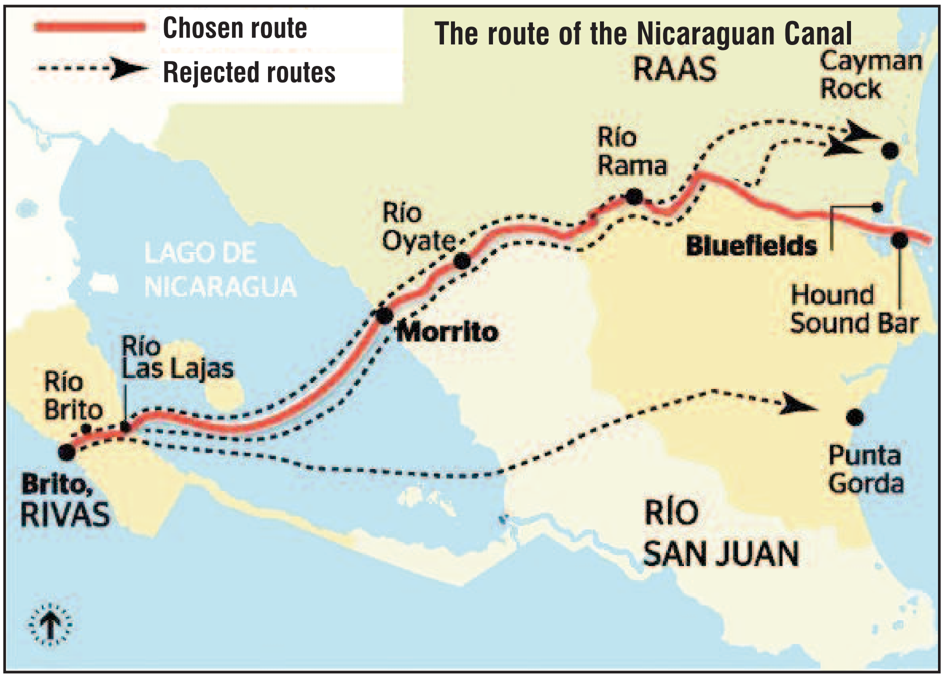
The private sector has also weighed in with concerns. The president of the private sector lobby, Consejo Superior de la Empresa Privada (Cosep), José Adán Aguerri, pointed out that HKND had yet to present the results of the financial, technical and trade impact studies for the project. Cosep says it will carry out its own assessment of the benefits and implications for the country together with the local economic and social development think tank Funides. On 9 July, the president of the Nicaraguan construction chamber (CNC), Benjamín Lanzas, told the local TV station, *Canal 4*, he had doubts over whether preparations would be ready for the project to begin in December.

Meanwhile, Costa Rica's foreign minister, Manuel González, sent a robust missive to his Nicaraguan peer Samuel Santos on 14 July seeking reassurances that before work begins a thorough environmental impact study is conducted, and that Nicaragua "scrupulously observes its international obligations". He said Costa Rica wanted confirmation that the volume of water in its Colorado river on the Caribbean coast would not be affected by the massive dredging work and notification of what precautions are being taken in terms of oil spills by vessels.

Russian and US interest

The Canal project has excited the interest of former Cold War adversaries in Nicaragua. President Putin made a surprise stop in Managua on 11 July as part of a six-day visit to Latin America, which also takes in Cuba, Argentina and Brazil (*see inside*). Neither he nor President Ortega provided details of their talks, but the visit fuelled existing speculation as to possible Russian involvement in the 'Gran Canal' project. In an interview with the Russian news agency *RIA Novosti* published on 6 May, Russia's deputy foreign minister, Sergei Ryabkov, said that Russia was considering participating in the project. These remarks were reiterated by Russia's ambassador to Managua, Nikolay Vladimir, who told the national daily, *La Prensa*, on 17 May that Russia has an interest in the project.

Meanwhile, on the same day, the vice-president of the US Chamber of Commerce, Jodi Bond, met Ortega in Managua. According to the news site *el19digital*, Bond expressed hopes that US companies could participate in the Canal project. This is the latest sign that bilateral cooperation remains strong, for all Ortega's anti-US rhetoric. A 30 June report by Nicaragua's official investment promotion agency, ProNicaragua, noted that the US was the top origin of foreign investment in 2013, accounting for 30% of the US$1.3bn received (up 8% on 2012).



ARGENTINA-URUGUAY | DIPLOMACY

Battle of the River Plate redux

While international attention has been on the announcement of the route of Nicaragua's proposed trans-oceanic Canal, the proposed construction of another Canal in the region is stoking up diplomatic tensions between Argentina and Uruguay. The Uruguayan government appears to have been caught on the hop by the Argentine government's decision to put up for tender an Arg$2.5bn (US$306m) Canal in the River Plate, to the likely detriment of the port of Montevideo. The Uruguayan opposition is using the issue as a stick with which to beat the government ahead of October's general elections.

The proposed Magdalena Canal would be 53km long and 12 metres (40 feet) deep and run through shared waters (see map below). The idea behind it is to accommodate bigger container ships and to obviate the need for them to dock in the port of Montevideo first. Ships would be able to enter the Argentine ports of Bahía Blanca and Quequén (the access channel to which is being deepened), in the province of Buenos Aires, fully loaded, without having to partially unload in the port of Montevideo. Argentina would also cease to maintain the Punta Indio Canal, leaving Uruguay to foot the bill. The risk for Uruguay is that shipping companies will be attracted to the prospect of entering and leaving the Argentine ports directly as it will be more convenient not to deal with different customs and obtain additional authorisation at extra cost.

On 9 July the Uruguayan foreign ministry presented a formal complaint to the administrative commission of the River Plate (Carp, in the Spanish acronym), containing 40 technical questions, accusing Argentina of violating the River Plate treaty. The protest note also registered Uruguay's "emphatic rejection" of Argentina's "unilateral" decision to put the Magdalena Canal up for tender. This is exactly the same rhetoric employed recently by Argentina's foreign ministry to condemn the Uruguayan government for permitting an increase in production at its Finnish-owned UPM-Kymmene pulp mill, threatening to take Uruguay to the International Court of Justice (ICJ) at The Hague over the matter - again.

The following day Argentina's ambassador to Uruguay, Dante Dovena, said that while Uruguay's complaint would be taken into account, the decision had been taken and was irreversible. He said it was essential to allow full access for all ships without them previously having to dock in "foreign (read Uruguayan) ports". He also maintained that Uruguay had authorised the construction of the Canal in 2006 so there was no violation of the River Plate treaty as alleged. "Perhaps they didn't realise then that it would damage Uruguay as they maintain now," Dovena said.

Uruguay's Foreign Minister Luis Almagro insisted the only consent that had been granted was for the dredging of the Punta Indio Canal not an entirely new Canal but Dovena's comments were grist to the mill for the Uruguayan opposition, which sought to turn the latest dispute into an electoral issue ahead of October's contest.

enator Gustavo Penadés, of the opposition Partido Nacional (PN, Blancos), joined the press in taking the country's foreign ministry to task for allowing seven years to elapse before challenging Argentina's pretensions. Penadés said that the proposed Magdalena Canal was "the most serious" of the problems affecting bilateral relations because "it affects the country from the geopolitical perspective". He said it was incumbent on President José Mujica to call an urgent meeting of the leaders of all political parties to inform them

Argentine port strategy

Argentina's port strategy has already had economic repercussions for Uruguay. It is estimated that the ports of Montevideo and Nueva Palmira could lose US$100m a year to Argentine ports as a result of a resolution issued by Argentina's national port authority last October stipulating that "export cargoes originated in Argentine ports can only be transhipped to other ports of Argentine jurisdiction or to ports from Mercosur and associate members which have cargo maritime transport agreements with Argentina". Uruguay, pointedly, has no such maritime agreement.

of what steps the government was taking in the face of Argentina's decision to proceed with the unilateral work in violation of the River Plate treaty. "It would be suicide for Uruguay to give its blessing [to the work] as Argentina says," Penadés said.

The opposition has long accused Mujica of boasting of a rapport with Argentina's President Cristina Fernández but failing to extract anything from the relationship to benefit Uruguay. With elections just three months away, the opposition could try to play the nationalist card, promising to take a much tougher line with Argentina, while spinning the issue as evidence of the negligence, if not incompetence, of the ruling left-wing Frente Amplio (FA) administration in key foreign policy matters.

"If Argentina makes a canal we will make our own," Mujica defiantly responded to the decision. But once container traffic can go directly to Argentina, there is a real threat that such an investment might not be worthwhile. It also casts further doubt over the viability of Mujica's prized and much-touted deep water port project in the Uruguayan department of Rocha.

New route in the River Plate

Guantánamo offer

Half of Uruguayans are opposed to the country accepting prisoners branded 'unlawful combatants' by the US from its naval base in Guantánamo in Cuba, according to a survey published by the local pollster Cifra on 10 July. The poll showed that 30% of respondents were in favour of accepting the prisoners, while 20% did not express an opinion. President José Mujica formally discussed his offer to take six prisoners with his US counterpart Barack Obama during a visit to the White House on 12 May. Last March, Mujica said Uruguay would be prepared to help Obama in his aim to close the camp "to end this shame of humanity".

Sale of tobacco and marijuana

A more rigorous anti-tobacco law entered into force in Uruguay this week after Uruguay's lower chamber approved a new bill compelling all vendors of cigarettes to remove them from view and in future to show the public a board with the brand and price of tobacco products and a warning about the damaging health effects. This stiffens a 2006 law which had granted exemption to vendors (kiosks, supermarkets, petrol stations, department stores) from the prohibition of publicity, promotion and sponsorship of tobacco in Uruguay.

The national chamber of commerce and the association of kiosks slammed the new law as unconstitutional and warned that it would encourage smuggling. "Nobody goes into a store to buy an alfajor, sees a cigarette packet and becomes a smoker," the president of the association of kiosks, Claudio Orrego, said. "Marijuana is forbidden the world over and is known to be damaging to health. But the government does not act in the same way with cigarettes. I don't know why [it] sends out two different messages," Orrego said.

Registered marijuana users will shortly be able to purchase the drug from pharmacies. President Mujica said in two separate interviews with foreign press outlets last week that marijuana would be available from 2015, later than originally scheduled, as there were "practical difficulties" and the government had to make sure everything was "right". The president of the national drug council, Diego Cánepa, said Mujica must have been misinterpreted as mid-December this year was the launch date. Either way it will, pointedly, be after October's general elections and a likely run-off on 24 November to avoid the risk of inevitable teething problems eliciting unwelcome negative media reports for the ruling FA during the campaign.

New 'vultures' ad a reminder time is running out

Argentine newspapers broadly hostile to the government's agenda ran another advert from the American Task Force Argentina (ATFA), the lobbying organisation representing Argentina's holdout bondholders, on 16 July. "Time is running out for Argentina," the advert read. "It is time for Argentina to demand that its leaders behave in a serious and responsible manner to save this country from default." Argentina has until the end of July to reach a deal with the holdouts, the investors who rejected the government's debt restructings following its default in 2002, but so far Argentine officials have ruled out face-to-face talks with mediator Daniel Pollack.

Jorge Capitanich, the cabinet chief, denied that Argentina was about to enter into default. He also refuted claims in earlier adverts that Argentina was already in "technical default". That term, he said, "is a euphenism used by ratings agencies. It doesn't actually exist, outside of the literature of these international agencies." Capitanich said there was no possibility of entering default as Argentina continued to pay its creditors in a regular and continuous fashion.

Speaking at the Brics-Unasur (Union of South American Nations) meeting in Brasília, President Cristina Fernández echoed this view. Argentina, she said, "is going to keep on paying and honouring its debt. Argentina will not default its debt. To be in default is to cease payment, and Argentina is able to pay."

Unfortunately for the government, that is not strictly true. Under the terms of the US court rulings, unless Argentina reaches a deal with the holdouts, US-based financial institutions will block the payments it makes to the creditors who have accepted the write-down, meaning it could go into default following a 30 July deadline for an interest payment.

On her visit to Brazil on 16 July, Fernández said that Argentina was willing "to negotiate within the law", but there are no signs of any Argentine officials actually following this up with concrete actions. Instead the government demanding a further stay in the execution of the court order to buy more time. Argentina is hoping that pressure from Eurobondholders, who did accept the terms of the government's restructuring, on Thomas Griesa, the US judge responsible for the court rulings, may buy the country more time. Lawyers representing this group argue that the judge is overstepping his jurisdiction by preventing the Bank of New York, and US-based clearing houses, from processing payments to their clients. Still, such a tactic relies on events entirely outside of Argentina's control. Griesa is due to hold a hearing with those financial institutions to explain the remit of his order on 22 July.

Although the media war between the government and investors has reached a new pitch of intensity, investors remain sanguine. A rally in Argentine bond prices indicate the markets think a deal will be reached. In an interview with Bloomberg on 14 July, Mario Blejer, a former governor of Argentina's central bank said that he was "absolutely convinced" a deal would be reached before the 30 July deadline. "The government has been quite determined to try to normalize the situation with the international capital markets," he said.

Inflation continues to slow

Indec, the official statistics agency, published its latest inflation figures on 15 July. The consumer price index (CPI) rose just 1.3% in May, the lowest month-on-month rise since the new index was launched at the start of the year. Over the first six months of the year, the CPI rose 15%; annualised data is not available. Argentina's congressional index, compiled by opposition legislators surveying private consultants, claimed consumer prices had actually risen 2.2% in the month, and 39.9% in the first half of the year.

Ticket touts

The vice-chairman of the Argentine Football Association (AFA), Luis Segura, has admitted selling some of his allocation of Fifa World Cup tickets, but denied scalping. "What I did from my modest position was sell (at face value) to people who were traveling to Brazil without tickets and we tried to solve this problem for people," he said. Brazilian police are currently investigating an alleged Fifa-linked scalping network that earned millions of dollars selling match tickets during World Cups.

Costs and benefits of the World Cup

The economic and political impact of the five weeks of football just finished in Brazil is likely to keep newspaper columnists occupied for years to come. Quantifying the consequences of the 'feel-good' factor derived from the largely successful delivery of the tournament versus Brazil's semi-final humiliation is more art than science. Nevertheless the first pieces of hard data on visitor numbers and spending appear to be positive for Brazil, even if the Fifa World's Cup overall impact on the country's economy is negligible.

According to Brazil's tourism ministry, more than 1m foreign tourists from 203 different countries visited during the competition; a number far greater than the 600,000 predicted by the government beforehand. Federal police figures confirm the ministry's data. In June alone (figures for July are not yet available), 692,000 tourists entered Brazil, an increase of 132% on the same month in 2013, and a number much higher than the 310,000 foreigners who visited South Africa during the 2010 World Cup. (Germany received 2m tourists during the 2006 edition).

Latin America United

One of the more unexpected elements of the competition was the vast numbers of visitors from Latin America. In June alone, 101,000 Argentines travelled to Brazil; 44,000 Chileans; 41,000 Colombians and 34,000 Mexicans. Many of these tourists travelled overland, taking long, arduous journeys to camp in the cities in which their teams were playing. Few of these visitors had tickets for the matches, and in many case their trips were motivated by their teams' strong performances. By the evening before the final, thousands of Argentines were sleeping in motorhomes, cars and tents in the Sambadrome in central Rio.

The ministry of tourism estimates World Cup visitors injected around R$30bn (US$13.5bn) into the Brazilian economy. Rio's 886,000 tourists, half of whom were Brazilian, spent R$4.4bn (US$1.9bn); in São Paulo that figure was closer to R$1bn (US$450m). Abrasel, Brazil's association of bars and restaurants, calculated a 20% year-on-year increase in June in income for its members. A study by the electronic payment firm Cielo estimated Argentines spent on average the least of all the visiting nationalities; the Dutch spent the most.

A survey by Datafolha found that 61% of foreign visitors to Brazil were making their first trip. According to Brazilian officialdom's own survey, 95% of those visitors said they would return. Given that Brazil's international visitor numbers have hovered at around 5m for years (France, in comparison, attracted 83m tourists in 2012), the World Cup is expected to provide a long-term boost to Brazilian tourism. The World Travel & Tourism Council, an industry forum, said earlier this year it expected Brazil will receive 6.4m international tourist arrivals in 2014, and that this number will rise to 14.2m by 2024.

The downside

Other parts of the economy suffered. Industrial production fell, largely as a result of the number of public holidays declared on match days. Car production was down 33.3% in June on the same period of the previous year. Vehicle sales fell 17.27%. Business confidence also fell in that month, to the lowest level since 2009. Some areas, such as construction, registered little or no impact.

Criticism of the many abandoned or incomplete infrastructure projects due to accompany the World Cup has been muted during the tournament. But as

Argentina robbed

Argentine misery at losing the World Cup final was compounded, in some instances, by problems heading home. The federal police reported that 270 Argentines were the victims of robbery in Rio. Between Sunday and Monday the Argentine consulate issued 175 temporary passports to help those who had lost their documents head home.

the election nears, complaints about the event's legacy projects are likely to resume. Of the 167 infrastructure works promised, only 88 were delivered on time; 45 of them were handed over incomplete; another 23 will be ready after the World Cup; 11 were abandoned altogether.

However, airports in almost all the host cities have been upgraded and most have received some kind of improvement in their public transport networks. One of the key questions for the future is whether the stadiums in some of the host cities, particularly Brasília and the Amazonian city of Manaus, will be put to good use now the event is over.

ARGENTINA-BRAZIL-REGION | DIPLOMACY

Taking pot shots at the US

Russia's President Vladimir Putin ended his four-stop tour of Latin America in Argentina and Brazil. Russia is hosting the 2018 Fifa World Cup and Putin accompanied Brazil's President Dilma Rousseff to the final of this year's event. The following day the two leaders signed a number of bilateral agreements before heading to the north-eastern city of Fortaleza to participate in the Brics summit.

Speaking in Cuba on the first stop of his tour, President Putin said that cooperation with a "strong" and "politically independent" Latin America was "fundamental" to Russia's foreign policy, particularly given Russian isolation over the Ukraine crisis.

In an interview granted to Cuba's *Prensa Latina* ahead of his visit, Putin expressed a desire to increase Russia's economic and commercial relations with the region. At present, trade is limited. The lion's share of Russian trade with the region is with Brazil (US$5.5bn), while with Argentina it amounts to US$1.5bn. But whereas China's interest in the region is almost exclusively economic, Putin was clear that he saw Latin America as part of "the developing, multipolar world".

Given Russia's willingness to flout international opinion, Argentina, with its disdain for the US Supreme Court's ruling on its debts, appears a natural partner. In Buenos Aires, Putin praised Argentina's "sovereign opinions, something very rare in today's world." President Cristina Fernández in turn thanked Russia for its support over the Falklands/Malvinas dispute and pointed out that both countries were against "double standards" in international diplomacy. Business between the two could benefit both substantially. Russia's expertise in energy means that it is naturally interested in the Vaca Muerta shale and oil gas deposits.

There is a limit to their mutual interest, however. While Argentina is very keen to join the Brics, Putin made it clear before his visit that expanding the club's membership was, for now, "out of the question". Though Argentina's current debt wrangling may make it just as much of an outsider as Russia, Putin will also want reassurance that any deals he strikes with the South American country will be honoured.

Glonass agreement

One of the agreements signed between Presidents Putin and Rousseff relates to the installation of the Glonass tracking station, the Russian satellite navigation system that rivals the US's GPS. The new tracking station, the second in Latin America, will be based at the universities in the southern state of Santa Catarina and the north-eastern state of Pernambuco. The US has refused to allow base stations for Glonass on its territory; Russia has banned the use of GPS for military purposes.

After the World Cup finished, the two presidents signed a number of bilateral agreements relating to defence, technology, energy and the production of vaccines, with the aim of boosting two-way trade to around US$10bn per year.

"Since President Putin's first visit to Brazil in 2004, bilateral trade has almost doubled," Rousseff said. In a nod to the continued anger felt by Brazil over the US National Security Agency (NSA) revelations, Rousseff added, "Our countries are some of the largest in the world. In the 21st century you cannot be dependent on a particular partner. Recent events have shown how essential it is to look for scientific and technological autonomy."

Clearly, the brief visit of US Vice-President Joe Biden, ahead of the USA-Ghana World Cup match in Brazil, has not completely restored US-Brazil relations. While omitting any mention of Ukraine, Rousseff also spoke warmly about her Russia counterpart's handling of the situation in Syria.

Brics bank gets the go-ahead

On 15 July the leaders of the Brics met in Fortaleza to agree to create a New Development Bank (NDB). With US$50bn in initial capital, which is expected to double in the next five years, the NDB will be financed equally by each of the Brics. One of the main purposes of the fund is to help with infrastructure projects in developing nations.

Alongside the bank, the Brics agreed to set up a US$100bn emergency reserve fund to help countries deal with short-term liquidity pressures. A press release described the initiatives as part of efforts by the Brics to "improve global economic governance", criticising the fact that the Brics's 2010 proposal to reform IMF members' voting rights in order to increase the representation of emerging economies has yet to be implemented.

Guillermo Pereyra

Guillermo Pereyra is allied with Hugo Moyano, the dissident leader of the umbrella trade union organisation Confederación General del Trabajo (CGT). Pereyra won a senate seat in last October's elections, crushing his nearest challenger from the Frente para la Victoria (FPV) of President Cristina Fernández.

TRACKING TRENDS

ARGENTINA | **Oil trouble in Neuquén.** Workers at two oil companies in Neuquén - Petrolera Argentina and Renesa - called off a strike, due to start on 11 July, to oppose management plans to dismiss 300 employees, after intervention from the federal government. Both companies, which were formally merged in January 2013, have been struggling with falling production and sales.

Jorge Capitanich, the cabinet chief, and Carlos Tomada, the labour minister, held talks in Buenos Aires on 8 July to defuse tension in the short-term with Guillermo Pereyra, a senator for the Movimiento Popular Neuquino (NPM) and local oil workers' trade union leader (see sidebar); Miguel Galuccio, chief executive of the state oil company Yacimientos Petrolíferos Fiscales (YPF); and businessman Miguel Schvartzbaum, who controls the Neuquén companies. Schvartzbaum agreed to revoke the suspensions a week earlier of 77 workers from the Renesa refinery. A dialogue table has now been set up to try and reach a definitive solution to the impasse.

Neuquén governor Jorge Sapag reportedly sought help from the federal government in Buenos Aires to avoid the lay-offs. However, the governor is at the same time involved in a dispute with the federal government over the latter's attempt to standardise the treatment of oil taxes and royalties.

Schvartzbaum, who controls the Neuquén companies, says the proposed new hydrocarbons law backed by the federal government and Galuccio is designed to squeeze out smaller provincial oil players such as his own. He said Galuccio was "the real energy minister" and accused him of acting as a 'mafioso'.

CHILE | **Massive infrastructure plan unveiled.** President Michelle Bachelet announced a US$27.58bn national infrastructure plan over the next seven years designed to drive economic activity and modernise Chile. This is the equivalent of 3.5% of GDP (one percentage point more than Chile presently invests in infrastructure). It includes US$18bn of public investment and US$9.58bn in new build-and-operate concessions.

"We will only develop if we invest heavily and in a sustained manner in public infrastructure," Bachelet said while visiting Arturo Merino Benítez international airport in Santiago, the subject of a US$655m expansion plan, the first concession project.

A range of regional projects are planned, such as a US$3bn programme to improve connectivity in the far south and the far north - Plan de Conectividad Austral and Plan Arica y Parinacota respectively - and to pave rural roads; the expansion of regional airports; the construction of two desalination plants in the northern Antofagasta and Atacama regions; the construction of seven big and 15 small reservoirs; and upgrades to ports.

Santos arrested

Gregorio Santos, the regional president of the north-eastern region of Cajamarca, has been formally arrested for corruption, the attorney general's office revealed this week. Santos, who has been a big thorn in the side of President Humala through his vocal opposition to the Conga copper and gold mine in Cajamarca, was arrested for unlawful association, bribery and collusion. He was accused, among other things, of receiving money from the businessman Wilson Vallejos (who has also been arrested), to grant him public works contracts to the tune of NS$130m (US$46m). Santos has attributed the accusations to a campaign orchestrated by multinational companies, with which he is at loggerheads over Conga, and political persecution ahead of October's regional elections.

PERU | POLITICS & ECONOMY

Shaking up education to sustain growth

"Peru will not only sustain itself through selling minerals. We need to depend more on training, intelligence, and the innovation which future generations can bring us," President Ollanta Humala said while promulgating a new education law. The law seeks not only to improve the quality of higher education - no Peruvian university features in the top 500 universities worldwide and only three are in the top 100 in Latin America – but also to better equip students for working life. Its critics argue that it violates university autonomy by concentrating decision-making power in the government's hands.

Days after promulgating the education law President Humala repeated this quote almost word for word in an interview with *Reuters* on 12 July to announce more impending stimulus measures to spur the economy. He said that "the training, intelligence and talent" of future generations was critical to diversifying Peru's commodity-reliant economy and reducing dependence. The education minister, Jaime Saavedra Chanduví, said the new law would seek to respond to a growing complaint from the business sector that neither the quality of higher education nor the type of training provided currently fits the bill.

Humala said the law would address the quality issue by requiring all professors that do not currently possess a postgraduate qualification to obtain one within the next five years, and by increasing the number of full-time staff employed to at least 25%. Peru has 140 universities (50 public and 90 private), half of which have fewer than 25% of lecturers contracted full time and 54 of which, according to Saavedra, have been operating with provisional authorisation for more than 10 years. Saavedra said his ministry would expedite the authorisation process for more higher education technical institutions (EST) as business is demanding.

The law also creates two new bodies with overlapping responsibilities, a superintendency for Peruvian universities (Sunau) comprised of seven representatives from academia, three from the government, and one from business - but not students - and a superintendency for university higher education (Sunedu) under government control. These will oversee higher education institutions in terms of quality control; monitor the use of State resources and establish whether these are being used for education or private interests; and approve or deny licenses for universities. They will supersede the independent national assembly of rectors (ANR) and the national council for the authorisation of new universities (Conafu).

The law also transfers the way in which chancellors (rectors) and vice chancellors are appointed by means of a weighted universal vote: lecturers will account for two-thirds of the vote; students, one-third. They will serve a five-year term with no immediate re-election. This is to try and clamp down on the misappropriation of university budgets.

Saavedra told an Inter-American Development Bank (IDB) gathering in mid-June that higher education in Peru was "at high risk of clientelism and potential internal power fiefdoms." The soon-to-be-defunct ANR described the new law as "aberrant" and, putting higher education institutions "under the control of the executive and its arbitrary decisions". It accused Humala of "flagrant violation of the constitution [...] giving validity to a law that tramples on not only the autonomy of the country's public and private universities but also the freedom of professorship and entrepreneurship which allowed the universities to exist." The ANR said it would struggle at home and abroad to rescind the law. Students have demonstrated against the law for excluding them from any representation on the new oversight bodies and for stifling freedom of expression.

A Revolution in the red

President Nicolás Maduro has pledged "a fiscal revolution" in the second half of the year. It is a revolution borne of necessity, rather than ideology, and it looks curiously orthodox in economic policy terms.

Venezuela's fiscal deficit continues to soar in spite of its rolling devaluations, with private economists putting it at upwards of 7.5% of GDP, at least. With oil export revenues stagnating, and analysts raising red flags over the latest accounts from the state oil giant Pdvsa (our sister publication, *Economy & Business Report*, takes a fine tooth comb to the numbers in its July edition), the government remains on a desperate hunt for cash to fund its import-dependency and the vast social welfare state set up when times were good by the late president Hugo Chávez (1999-2013).

To this end, the economy 'czar', Rafael Ramírez, is moving to contemplate measures never before broached – like a reduction in the country's lavish fuel subsidies (worth an estimated US$12bn-US$15bn annually), a revision of electricity tariffs (frozen for the past 12 years) and tax changes. Some private oil company sources recently told *LatinNews* that Ramírez, also energy minister and Pdvsa president, might also be willing to negotiate some flexibility into Pdvsa's existing joint venture contracts so as boost private sector participation/investment in a bid to boost production. Notably, Communications Minister Delcy Rodríguez on 17 July tweeted that Russia's President Vladimir Putin, who met Maduro on the margins of the Brics summit in Brazil, had agreed a new credit line for Venezuela, apparently as part of "new Russian oil investments in Venezuela".

Signals of an adjustment have become more visible in the weeks since the former economy czar, Jorge Giordani, was removed from his post as planning minister. Ramírez is leading the way, with talk about currency unification and the need to have a debate on the 'untouchable' fuel subsidies. The head of the national assembly's finance commission, Deputy Ricardo Sanguino, has hinted that Maduro will use his legislative decree powers to push through a fiscal reform package in the second half. He avoided giving details, but the message is clear: change is coming. The government needs to do this sooner rather than later moreover, ahead of the mid-term legislative elections in late 2015.

The electricity minister, Jesse Chacón, warned that the state will not continue subsidising the country's "excessive energy consumption", and on 16 July announced new tariffs based on consumption bands, with lower tariffs for 'green' consumption bands, for instance. This will be the first rise in tariffs since 2002, but Chacón said that 60% of the population should be able to benefit from the 'green tariff' by keeping down consumption. He claimed that consumption in Venezuela is now 18,600MW annually, compared to 9,000MW 12 years ago, a sharp increase of 106% although not quite as dramatic as the 500% increase claimed by Chacón. With the electricity sector in permanent crisis, the government has routinely denied responsibility - Chávez famously once told people to limit their showers to three minutes and suggested bathing was 'capitalist'.

Meanwhile, President Maduro also detailed the coming 'sacudón' ('shake-up'). Over nine days, all the ministries will be thoroughly scrutinised for their performance, beginning on 22 and 23 July with the oil, finance, trade, industries, food, agriculture and tourism ministries. The results of this extensive process (there are some 30 ministries in all) will be ready by 11 August, he said. Maduro also revealed that over 3,000 companies are being investigated for fraudulent use of the officially controlled currency system. Given that the national statistics institute (INE) has just reported that the State accounted for 42% of total imports in the first quarter, it is a fair assumption that many of these companies are linked to the state and its various agencies.

Red flags over Petrocaribe too

Following on the heels of the latest Pdvsa accounts, the US think-tank The Atlantic Council has published a new report on the "uncertain" future of the 10-year-old Venezuela-led Petrocaribe oil initiative, warning (rather alarmingly) of the risk of an energy crisis in the Caribbean and Central America should cheap Venezuelan oil supplies dry up. The report suggests that it is imperative for the US government to adopt a range of policies to avoid an energy crisis in the sub region, but it also sees an opportunity for the US to re-assert itself in the region.

No deadline

"We have learned that setting deadlines is counter-productive," President Santos said on 14 July in reference to an end date for talks with the Farc in Cuba. Santos was speaking at an investor conference on Colombia in Miami. Santos was accompanied, among others, by his finance minister, Mauricio Cárdenas, and the president of the national infrastructure agency, Luis Fernando Andrade. Cárdenas said economic policy during Santos' second term, which begins on 7 August, would have a "social emphasis" and seek to include the poorest Colombians in economic development.

COLOMBIA | POLITICS & SECURITY

Preparing for the endgame

The Colombian bishops' conference (CEC) has underlined its determination to play a pivotal role in an eventual peace accord between the government and the Fuerzas Armadas Revolucionarias de Colombia (Farc) being negotiated in Cuba. The CEC elected Luis Augusto Castro, the archbishop of Tunja, the capital of the department of Boyacá, as its new president last week. The appointment is significant because Castro has considerable experience in negotiating with both the Farc and Colombia's second guerrilla group, the Ejército de Liberación Nacional (ELN), to free kidnapped soldiers.

astro warned against "cheap and false reconciliation", and while he was supportive of the progress being made by the government and Farc negotiating teams in Havana he said "they are only handling concepts at the moment; now they have to use their hearts".

Castro, 72, has previously served as bishop of San Vicente del Caguán, a Farc stronghold in the southern department of Caquetá. This was at the centre of a demilitarised zone, or 'depeje', declared between 1998 and 2002 during previous failed peace talks. Castro also held the position between 2005 and 2008, but his election now suggests that the CEC is readying itself for the denouement of the armed conflict.

The bishops' conference is involved in the four peace forums for victims being organised in Colombia by the United Nations (UN) and the Universidad Nacional in July and August. One of these was concluded in Barrancabermeja, a city in the department of Santander hit hard by the conflict, on 11 July. The negotiating teams in Cuba recommenced talks on compensation for victims of the conflict, on 15 July.

TRACKING TRENDS

COLOMBIA | **Budget drafted.** The 2015 national budget proposal drafted by the government was approved by the national economic and social policy council (Conpes), a State advisory body, on 10 July. The draft budget now goes to the newly elected national congress, which opens sessions on 20 July.

A finance ministry statement explained that the Col$167trn (US$89.82bn) draft budget is based on an estimated tax take of Col$126.2trn (US$67.55bn) for next year, up 12% on the projection for this year; and that it had been designed to guarantee Colombia's sustained economic growth rate of the past few years, which has allowed the country to become "the third largest economy in Latin America".

Finance minister Mauricio Cárdenas, who has just been ratified in his post by President Juan Manuel Santos after he won re-election for a second term last month, said that the budget "reflects the government's commitment to putting an emphasis on socioeconomic development, where job creation is a priority along with security and equality".

The draft budget envisions public investment close to the record level of Col$46trn (US$27.74bn) achieved last year. Cárdenas also revealed that the budget allocates Col$28trn (US$15bn) to the national defence sector, roughly the same level allocated to the sector this year, and Col$28.4trn (US$15.26bn) to the education sector, up 5.3% on this year.

Meanwhile, the country's science, technology and innovation promotion agency (Colciencias) saw a 0.2% increase in its budget allocation to Col$379bn (US$202m) in 2015. This was intriguing because the director of Colciencias, Paula Marcia Arias, was fired last week after publicly venting her fears about an imminent budget cut for the agency. Both Cárdenas and Santos had felt compelled to come out and deny the budget cut in the face of widespread criticism.

MEXICO-CENTRAL AMERICA | DIPLOMACY

Flurry of activity to combat child migrant crisis

Mexico's President Enrique Peña Nieto is taking a decisive role in responding to the humanitarian crisis produced by the surge of unaccompanied child migrants to the US, mostly from Central America's so-called 'Northern Triangle' (El Salvador, Honduras and Guatemala). Peña Nieto is taking concrete action to address the crisis, employing his preferred formula of appointing a federal coordinator under the overarching control of the interior ministry (Segob) for the southern border region, just as in the troubled western state of Michoacán earlier this year. Its success this time, however, depends not just on cooperation between federal and state governments but between different national governments.

Since US Vice President Joe Biden announced US$254m in fresh funds on 20 June to address the migrant crisis [WR-14-25], there has been a succession of top-level meetings across Mexico and Central America. On 27 June the Segob launched a new 'safe passage' plan aimed at protecting temporary migrants in Mexico, under which Mexico will share intelligence with its Central American neighbours to combat people trafficking gangs, and collect biometric information from migrants in collaboration with the Guatemalan and Belizean authorities.

Discouraging migrants

Information campaigns have been launched in Mexico, El Salvador and Guatemala aimed at warning parents of the risks posed by people traffickers. The US is also assisting in trying to dissuade migrants intent on taking the hazardous journey northwards for 'a better life'.

On 5 July the first high-level meeting of representatives from El Salvador, Guatemala and Honduras took place in San Salvador to discuss the issue, headed by Guatemala's foreign minister, Fernando Carrera, his Salvadorean counterpart, Hugo Martínez, and the Honduran deputy foreign minister, Diana Valladares.

Two days later President Peña Nieto held an emergency meeting with Guatemala's President Otto Pérez Molina in the border state of Chiapas and the two launched 'Plan Frontera Sur', a programme which aims to protect Central American migrants crossing into Mexico looking to move on to the US. The five-pronged plan aims to: improve international border crossings, providing more resources for customs posts on the Mexican border with Guatemala (10) and Belize (two); provide five more border security centres; provide immigrants with protection and social programmes, increase medical units in the area; get all the nations in the sub-region to share responsibility for the process; and appoint a coordinator operating under the Segob.

A week later Mexico's interior minister, Miguel Ángel Osorio Chong, announced that Peña Nieto had appointed Humberto Mayans Canabal, a senator for the ruling Partido Revolucionario Institucional (PRI), as the federal coordinator for 'Plan Frontera Sur'. Osorio Chong appealed to governors of the four border states of Campeche, Chiapas, Quintana Roo and Tabasco and local mayors to support Mayans in his role.

Mayans, who served at several levels of government in his native Tabasco before becoming a federal senator, said the south had traditionally been "little understood" but the plan would "improve stability and governability" which, in turn, would increase employment opportunities, alleviate poverty, and attract investment to the border states. This is ambitious – and recent precedent is not all that encouraging. The grandiose Plan Puebla Panamá (PPP), launched in 2001, was designed to do just this in coordination with Central American governments, but is now defunct and with little to show for it.

The US role

Mexico's foreign minister, José Antonio Meade, chaired a Mexico-Holy See symposium on international migration and development on 14 July, attended by Carrera, Martínez and (this time) Honduran Foreign Minister Mireya Agüero, to discuss the issue again. Just as Peña Nieto had stressed that "every nation must do its part", in what sounded like an indirect message to the US, the Hondurans, in particular, have put the onus on Mexico and the US, which has long promised but failed to deliver comprehensive immigration reform.

On 8 July, US Secretary of Homeland Security Jeh Johnson met President Pérez Molina in Guatemala City, fresh from delivering an uncompromising message on the NBC television network in the US. "I believe we're going to stem this tide," Johnson said. "There are no free passes once you get here. Our message to those who come here illegally: our border is not open to illegal migration. There is a deportation proceeding that has commenced against illegal migrants — including children".

Perry lashes out at Obama

In his opinion piece in *The Wall Street Journal*, Texas State Governor Rick Perry was scathing of the Obama administration's handling of the child migrant problem. Perry said it was "nothing less than a moral outrage" that the humanitarian crisis was "not the result of a natural disaster, but of our nation's own misguided laws and misplaced priorities".

Carrera said the meeting with Johnson aimed to find "short-term, medium-term and long-term fixes". Guatemala is pushing for the US to grant Guatemalan immigrants Temporary Protected Status (TPS) as long as immigration reform is not approved. Instead Johnson revealed to Pérez Molina that President Barack Obama had requested US$3.7bn in additional funds from the US Congress to deal with the child migrant crisis through expanding the system of immigration courts and the provision of housing for detainees; speeding up the process for dealing with child immigrants crossing the southern border; and enhancing border security.

President Obama met Texas State Governor Rick Perry the following day in Dallas, adjuring him to ask his Republican colleagues to approve the funding package. However, with November mid-terms approaching, the issue has become a political hot potato for the White House. On 13 July Mike McCaul (R, Texas), the chairman of the Homeland Security Committee of the House of Representatives, responded to Obama's emergency request, stating that the Republicans are "not going to write a blank check". He said instead that he would support changing a 2008 law that requires deportation proceedings for children that arrive from countries that do not share a border with the US. This would allow authorities to quickly deport newly arrived Central American children, as they do Mexican children.

In an opinion piece in *The Wall Street Journal* on 15 July, Perry said he had "alerted the federal government to the growing problem of unaccompanied minors" in 2012. Perry was fiercely critical of the US$3.7bn package, arguing that only "a small fraction of that money would go to the actual core of this problem: the lack of sufficient resources to secure the border". He said the majority of the money was earmarked for "housing and transporting the minors […] the symptoms of the problem instead of addressing its root cause."

Perry said he had asked Obama to grant his "long-standing request to send 1,000 National Guard troops to the border to supplement security efforts until a sufficient number of Border Patrol officers are hired, trained and deployed." He also called for "increased federal emphasis on diplomatic efforts", urging the Obama administration "to put pressure on the countries where these children are coming from, such as Honduras and El Salvador, as well as on the Mexican government, which is reportedly implementing new laws to track but not stop the flow of children through its country. Mexico would be better served securing its own southern borders than making it easier for children to travel alone through dangerous territory," Perry concluded.

Perry's comments will have irked the Mexican government. Osorio Chong has specifically said that the 'Plan Frontera Sur' will seek to prevent "those that don't have documentation from entering our country or making it to the US" by means of a new registry at border crossings, and was striving to come up with ways to deter migrants from using the perilous 'La Bestia' freight train from Chiapas northwards.

Telecoms reform ready for lift off

President Enrique Peña Nieto signed into law secondary legislation linked to his government's telecommunications reform on 14 July. The legislation had been approved in an extraordinary session of the chamber of deputies five days earlier, marking the end of a protracted process to enable the telecoms reform package approved by congress last year. This is good news for the Peña Nieto administration, albeit seven months later than planned. Peña Nieto said the reform would be a "powerful tool that will help enhance [economic] freedom, strengthen equality and increase prosperity", resulting in wider Internet access; more efficient telephony services; lower costs for consumers; and increased competition in the sector.

There is no shortage of evidence that the existing oligopolies in Mexico's telephony and TV markets have had negative effects. According to World Bank data, the penetration of mobile phones in Mexico currently stands at 86 subscriptions per 100 inhabitants, lower than countries of a similar size in the region, such as Argentina (159), Brazil (135) and Colombia (104). The difference is attributed to the high telephony service prices in Mexico compared to countries that have more competition in their domestic telecoms market. Mexico's TV broadcast market is also highly concentrated, with 95% of the 465 free-to-air TV broadcast concessions in the hands of just two firms.

At the heart of the telecoms reform are mechanisms designed to discourage market dominance by giving greater powers to the newly created sector regulator, the Instituto Federal de Telecomunicaciones (IFT), to force market actors deemed to be dominant or 'preponderant' (those that have a 50% or more market share) to open up to greater competition. Under the reform, the IFT has the ability to establish 'asymmetric measures' for preponderant actors, which include forcing them to eliminate all interconnection fees and to share their installed infrastructure with competitors free of charge.

But while there is widespread support for the reform, there is scepticism that the secondary legislation will break up the oligopolies in the sector. Many opposition legislators argue that it offers favourable treatment to the local dominant TV broadcaster, Grupo Televisa. The legislation stipulates that preponderance is to be defined at the broad telecom industry sectors but not at the sub-sector levels.

Thus while Grupo Televisa was identified as a preponderant player in the radio & TV broadcasting sector subject to asymmetric measures by the IFT back in March, this was not the case for the pay-TV sub-sector (in which it also has a significant market share). By contrast telecoms giant América Móvil (AMX) was identified as a dominant player in the telecommunications sector - which comprises both the telephony and fixed line services. Both AMX and Grupo Televisa lobbied against the approval of the telecoms reform last year. But Grupo Televisa is considered to have close links with the ruling Partido Revolucionario Institucional (PRI), and the opposition suspects that this allowed it to secure preferential treatment. Local analysts have pointed out that by not being considered a preponderant player in the pay-TV sub-sector, Grupo Televisa will be allowed to continue expanding in this area. Meanwhile AMX will not be allowed to continue expanding its telephony businesses. As economist María Elena Meneses of the Instituto Tecnológico de Monterrey (ITESM) put it, "there has been one loser: Telmex [AMX's local subsidiary] and one winner: Televisa…Televisa has something to gain from this legislation as it will ultimately be able to expand in the pay-TV market".

It is worth noting that on the eve of the secondary legislation's approval, AMX announced plans to divest part of its assets in order to reduce its market share to under 50% so as to no longer be considered preponderant by the IFT and avoid being subjected to asymmetric measures. This announcement was hailed by the government as the first sign that "the reform will transform the industry".

Legal challenge

Soon after the secondary legislation linked to the telecommunications reform was fully approved by Mexico's federal congress a group of 219 local NGOs expressed concerns that the reform could infringe privacy rights enshrined in the national constitution. The civil organisations point out that the provisions requiring Internet Service Providers (ISP) to allow the government access to user databases could result in the government using the data "in an arbitrary, discriminatory and uncontrolled manner" in violation of the constitution. The concerns expressed by the NGOs have been picked up on by a number of opposition legislators from the right-wing Partido Acción Nacional and the left-wing Partido de la Revolución Democrática, who say that they are preparing a constitutional challenge that will soon be submitted to the supreme court.

CUBA | DIPLOMACY

Putin revels in symbolism of Havana trip

"In the international arena, we agree with the current policy of strength and political intelligence that the Soviet Union — I mean Russia — is carrying out." Arguably, it was an understandable slip-up for President Raúl Castro to make as he heaped platitudes on his visiting peer Vladimir Putin, who was in Cuba for the first time since 2000, to "recover lost possibilities". Across the way in Miami, the US media could not resist harking back to Cold War metaphors, and history seemed to come back to life as it was reported that Russia planned to re-open the old Lourdes intelligence base near Havana, used by the USSR to spy on the US during the Cold War. "Russia can meet its defence needs without this component," Putin responded in Brazil as we went to press, denying the by-now global report.

Putin inked 10 deals covering energy, industry, health and disaster prevention with the Cuban government on the first stop of his lightning regional tour. Having finally resolved Cuba's old debt of US$35.2bn with the former Soviet Union - 90% of it, or US$32bn, was condoned in October 2013, and the Russian parliament recently ratified the deal - Putin had announced ahead of his trip that the rest (US$3.5bn) will be paid off over 10 years and reinvested in Cuba via Russia's state development bank, Vnesheconombank. Some of this will be put into the overhauled Mariel Port and associated special development zone, plus related airport infrastructure. "We are talking about the possibility of creating in Cuba a grand transportation hub with a modernisation of the maritime port of Mariel and the construction of a modern airport and cargo terminal," Putin stated. The US will be watching with interest the developments at Mariel, Cuba's big (US-facing) bet for future economic development. Brazil is leading the project, but China and Russia are also key players.

China visit

Russia's President Vladimir Putin will be followed next week in Havana by China's President, Xi Jinping, as President Raúl Castro pays court to two global leaders in a matter of days.

Also of interest to the US is the possibility that Russia's navy may be seeking more regular use of Cuban ports, while there have been some talks about Russian military resupply bases in Cuba, according to defence analysts. Putin also revealed that Russia plans to install a groundstation for its Glonass satellite navigation system in Cuba, as part of a February 2013 bilateral agreement on space cooperation. Putin said the stations would give Cuba access to services and satellite communications technology not available to it under the half-century old US economic embargo. As we noted earlier this month, the CEO of US firm Google, Eric Schmidt, recently warned that the embargo has allowed Chinese IT firms to make inroads in Cuba.

Curiously, Putin stressed renewed efforts to develop Cuba's aging onshore and still-to-materialise offshore oil sector, with Russia's Rosneft and RusHydro signing deals with Cuba's Union Cuba Petróleo (Cupet) to participate in petroleum projects around Boca de Jaruco on and off the island's northern coast. Rosneft's chairman, Igor Sechin (one of the Russian executives targeted by the US for economic sanctions over the situation in Ukraine), was with Putin in Cuba.

A string of foreign oil majors, including Russia's Zarubezhneft, have turned up dry wells off Cuba's coast in the past few years. Cuba is desperate, however, given the signs of crisis in its main oil supply partner Venezuela, which tops up Cuba's domestic output of some 55,000 barrels per day (bpd) with another 110,000 bpd on favourable terms. The loss of the Venezuelan subvention would be very costly - Cuba has been there before in 1990 as the Soviet Union dissolved. Elsewhere, Inter RAO inked a deal worth about US$1.6bn with Cuba's Union Eléctrica for four energy generation units.

Quotes of the week

"Seeking La Salida they found La Entrada.**"**

Venezuela's President Nicolás Maduro comments that the upshot for many in the opposition movement 'La Salida' ('The Exit'), seeking his removal from power, has been 'La Entrada' ('The Entry') into prison.

"If we send Mascherano to negotiate with the Vulture Funds, he will bring back some change.**"**

Twitter humour in reference to Argentina's midfield dynamo Javier Mascherano in the Fifa World Cup.

"Where lots of lawyers get involved and draw up documents I want to stay clear because there is always a library on one side and the other.**"**

Uruguay's President José Mujica on Argentina's proposed new canal in the River Plate.

POSTSCRIPT

Unwelcome migrant takes root in region

While the US, Mexico and Central American countries are focused on the problem of child migrants, a more resilient visitor with no difficulties crossing borders at all has arrived in Latin America – and seems intent on staying. This is chikungunya, an emerging health threat which produces an illness similar to dengue. Chikungunya was detected six months ago in the region for the first time since when it has claimed 21 lives with some 4,700 confirmed cases and 260,000 suspected cases.

Chikungunya was first identified in Tanzania 60 years ago and is now endemic in Africa from where it has spread to Asia and Southern Europe. The vector, Aedes aegypti, is the same as for dengue. Chikungunya was discovered on the French side of the Caribbean island of Saint Martin on 18 November last year, the first autochthonous transmission of the virus in the Americas. It has since spread throughout the hemisphere, with Hispaniola the worst-affected: over 135,000 suspected cases have been reported in the Dominican Republic; 40,000 in Haiti. There are also some 40,000 suspected cases apiece in the French overseas departments of Guadeloupe and Martinique, the latter with over 1,500 confirmed cases (the most anywhere in the region) and 12 of the 21 deaths.

Dominica also has a high number of suspected cases (3,100) but the worst-affected country by far on mainland Latin America is El Salvador with 1,300 suspected cases. It was thought that the new government of President Salvador Sánchez Cerén would come under most pressure to deal with public insecurity, but instead it is under pressure to improve water and public sanitation services (Aedes aegypti thrives in stagnant water) especially in the poor and densely populated suburbs of San Salvador. The health minister, Violeta Menjívar, however, has passed the buck by calling on the country's departments and municipalities to take action to stop the spread of Aedes aegypti. Menjívar also said there are more than 5,000 confirmed cases of dengue in El Salvador.

Brazil has the highest number of confirmed imported cases of chikungunya in the region (20) after nationals returned from visits to the Caribbean, with the first three cases confirmed in Rio de Janeiro last week.

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