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## Leftist threatens to tear Costa Rican electoral contest wide apart

The most intriguing elections in a generation in Costa Rica have locked the presidential candidate for the country's most powerful traditional party in a three-way tie with candidates from either side of the political spectrum. As recently as last September, Johnny Araya, the long-serving mayor of San José, looked like sailing to victory on 2 February with more than 50% of the vote, securing in the process a third straight term in power for the Partido Liberación Nacional (PLN). He remains the marginal favourite but since then the momentum has swung firmly behind his opponents - Otto Guevara, who performed creditably in the last elections in 2010 for the right-of-centre Movimiento Libertario (ML) and José María Villalta, whose emergence as a viable contender for the left-wing Frente Amplio (FA) has been the biggest surprise of the campaign, and prompted no shortage of scaremongering.

Just four years ago Laura Chinchilla won election for the PLN, with 47% of the vote, comfortably more than the 40% required to win in the first round and avoid a run-off on 6 April. Since then she has become the country's most unpopular head of state for decades and Araya has been keen to keep his distance from her government. Two opinion polls released within the last week, however, confirm that his huge lead in the polls has been decimated.

The most recent poll, carried out between 8 and 18 January by Ciep for the Universidad de Costa Rica, put Araya on 20.4% followed by Villalta on 15.3%, Guevara on 11.2% and 24.5% undecided. A Unimer poll published by the national daily *La Nación* on 16 January gave Villalta a slender lead, on 22.2%, ahead of Araya on 20.3%, and Guevara, on 20.2%, suggesting any two of three could conceivably advance to a second round. Araya publicly dismissed this poll. He was much happier with a poll released two days earlier by Cid Gallup, which gave him 29%; Villalta 20%; and Guevara 13%, with 15% of voters undecided. The high amount of undecided voters makes predictions hazardous, especially given voter volatility in recent months, but the 40% target appears to be out of reach for all the contenders.

Villalta, a 36-year-old ecologist and the FA's sole congressional deputy, is politically inexperienced but his irreverence - he has been the scourge of traditional politicians - has struck a chord with weary voters. It is highly unusual for a politician with socialist roots to fare well in Costa Rica. Villalta's performance could also be attributed to the disjunction between the positive external image of Costa Rica as one of the top regional performers in global league tables and growing domestic disillusionment with social inequality. While poverty and indigence have fallen regionwide they remain constant, at 20.7% and 6.4% respectively, in Costa Rica. The unemployment rate of 8.3% in 2013 was the second highest in the region after Colombia (10.6%), according to the Economic Commission for Latin America and the Caribbean (Eclac).

## The old pretenders

Disillusionment with traditional parties is not new in Costa Rica – but it is yet to lead to a fledgling political outfit coming to power. The Partido Acción Ciudadana (PAC) shot to prominence campaigning on an anti-corruption platform back in 2000, and finished second in the last presidential elections with the second largest number of legislative seats. Since then the party's founder, Ottón Solís, has become inactive amid internal rifts, however, and its presidential candidate, Luis Guillermo Solís, lacks his namesake's charisma. Luis Solís insists that the opinion polls giving him less than 6% support are simply not consistent with his campaign team's weekly tracking polls indicating "extraordinary growth" in support.

A firm opponent of the Cafta-DR free trade agreement with the US, Villalta favours progressive social legislation, including lifting the minimum wage, and rejects any further privatisation of state services. In the face of fierce attacks from Araya and Guevara about his political background, Villalta gave an interview last week insisting that his opponents had falsely applied the "label" of communism to the FA which he delineated instead as a "progressive leftist" party that "believes the State must fight for more equitable income distribution".

Still, his opponents have dug for dirt and unearthed an extract from a letter of condolences the FA sent upon the death of Venezuela's President Hugo Chávez (1999-2013) last year which they argue confirms that Villalta would seek to bring Costa Rica into Venezuela's orbit: "We will always be sympathetic to the process of the Bolivarian Revolution [...] and our brothers in the Partido Socialista Unido de Venezuela (PSUV)". Like any aspiring leftist in the region in recent years, Villalta eschews the comparisons with Chávez and Nicaragua's President Daniel Ortega and claims to be cut from the same cloth as Uruguay's President José Mujica and Brazil's former president Lula da Silva (2003-2010).

When push comes to shove, it is a moot point whether Costa Ricans will be prepared to risk taking a step into the unknown and Villalta would be a clear underdog in a second-round scenario pitting him against either Araya or Guevara. Guevara is the polar opposite of Villalta. He is promising to break up the powerful state energy monopoly, Instituto Costarricense de Electricidad (ICE); reduce state controls to generate more business; and reduce taxes (as well as create 500,000 jobs). Guevara's supporters would back Araya in a run-off against Villalta, and vice versa.

Both Araya and Guevara launched diatribes against Villalta in presidential debates over the last week (see sidebar). They accused Villalta of planning the sort of nationalisations and land expropriation undertaken by Venezuela and its allies, as well as threatening to introduce price controls and protectionism, with the result that investors would be deterred and economic growth savaged.

Villalta accuses his opponents of demonising him and has come back strongly on the issue of corruption, which took centre stage in the presidential debate on 18 January. Villalta raised questions about alleged irregularities during Araya's 15-year stint as mayor of San José and questioned the intention behind the PLN candidate's proposal to eliminate the control of the comptroller general's office to sanction public officials for wrongdoing. Guevara, meanwhile, was compelled to fend off accusations related to campaign financing. In the face of widespread reports that business federations and companies have been disseminating literature urging employees not to vote for him, Villalta also took legal action this week before the supreme electoral court (TSE). He accused a group of businessmen called Alianza Costa Rica of waging "a dirty campaign", warning workers that a vote for him would mean a sharp increase in unemployment.

It is a measure of voter disenchantment with traditional parties that the presidential candidate of a left-wing party with just one congressional seat has emerged as a genuine contender. The lack of a nationwide presence and the PLN's well-greased electoral machinery conspire against Villalta (and to a lesser extent Guevara). But the FA will increase its presence in congress through the proportional distribution of legislative seats in each of the country's seven provinces. This will enable it to cause real difficulties for the eventual victor, who is unlikely to secure a majority in the 57-seat legislative assembly. This is what has fatally undermined the Chinchilla administration. Hamstrung by congress, Chinchilla has been unable to push through reforms integral to her government plan, especially a promised fiscal reform, and voters have questioned her leadership and achievements. The same fate could well await Araya or Guevara.

### A key deadline comes and goes

#### Navarro announces his running mate

The opposition Partido Revolucionario Democrático (PRD) named Gerardo Solís as its vice-presidential candidate alongside the former Panama City mayor, Juan Carlos Navarro, ahead of the 4 May general elections. A former supreme electoral court (TSE) magistrate and housing minister under the PRD government of Ernesto Pérez Balladares (1994-1999), Solís was a surprise choice; he had initially registered to run as an independent (but polls gave him just 2% of voting intentions). Some see the move as an attempt to unite different factions within the party. Both the other main contenders, Juan Carlos Varela (Partido Panameñista) and José Domingo Arias of the ruling Cambio Democrático (CD) are expected to announce their running mates this month.

The international consortium Grupo Unidos por el Canal (GUPC) did not make good its threat to halt work on the US\$5.3bn Panama Canal expansion project on 20 January [WR-14-01]. Yet there is no immediate end in sight to the stand-off between the Panama Canal Authority (ACP) and the GUPC over the latter's call for the ACP to meet the cost of a US\$1.6bn cost overrun. Meanwhile the ACP and construction unions have reported a significant decline in construction activity since late last year, when the dispute first emerged. This has raised further questions as to whether the project will be ready by its June 2015 deadline.

On 19 January, the day before its deadline, the GUPC (which is led by Spain's Sacyr and includes Italy's Impreglio, Belgium's Jan de Nul and Panama's Constructora Urbana) announced that it would not halt work on the US\$3.1bn project to build a new set of locks for the Canal – the biggest contract under the expansion plan – on 20 January as previously threatened. Yet while the initial deadline might have come and gone, the GUPC added in its statement that it has the right to suspend work at any time from 21 January, if the ACP fails to meet the extra costs and it has since set 31 January as the new deadline for its ultimatum.

Beyond the agreement that both sides should stump up some funds to keep the project running while the GUPC pursues its complaints via appropriate legal channels, there have been little signs of an end in sight to the stand-off. Following the initial proposals put forward by Sacyr and the ACP [WR-14-01], Impreglio has since offered two options – one for a settlement payment of US\$1bn to complete the work and another, that the ACP provide further financing of US\$500m – both of which the ACP outright rejected.

Meanwhile the ACP remains intransigent. On 19 January it released a statement reiterating its initial position; that GUPC's threat to suspend work is not valid and that the dispute should be resolved through the appropriate arbitration procedures. It has also ruled out an offer of mediation by the European Commission (EC), the European Union's executive body, which agreed to step in at the behest of the GUPC, reiterating that the contract for completing the third set of locks already includes mechanisms to resolve disputes, none of which involve third parties.

ACP director Jorge Quijano told reporters on 16 January that the ACP was taking precautionary action in case the project - which is now 70% complete (with the construction of the new locks 64% complete) - is suspended and was in talks with third-party contractors. The Spanish daily *El País* cited a confidential report by Panama's Dispute Resolution Board (DAB), an independent three-member agency referred to in the contract, which suggested that a "rupture" in the contract could push back the completion date from 2015 to 2018 or 2020.

Meanwhile Quijano has also pointed to a 70% slowdown in activity on the expansion project since November 2013 which could further fan the row amid claims that the GUPC is not fulfilling the terms of its contract. The same day, Labour Minister Alma Cortés told reporters that more than half of the workers involved in the expansion project had been laid-off in the last five months, with 1,600 workers sacked and more than 1,000 having stopped working voluntarily.



## Shutdown law is big news

The new 'shutdown law' approved by the outgoing congress has made international headlines. Apart from its questionable legality under international conventions, some observers have noticed that the airspace subject to the new law covers trafficking routes thought to be controlled by the Mexican drug gang Los Zetas, leaving those routes controlled by the rival Sinaloa gang (apparently) untouched.

## Impact in the polls?

Concerns that the dispute between GUPC and ACP could damage the popularity of the government of President Ricardo Martinelli and affect the chances of his Cambio Democrático (CD) in the May 2014 general elections have yet to materialise. The latest Dichter & Neira poll released on 13 January gave Martinelli a 69% approval rating, up from 65% the previous month and the highest in the last 12 months. It also showed the CD's presidential candidate, former housing minister (2011-2013), José Domingo Arias, with 38% of voting intentions, some 13 percentage points ahead of Vice-President Juan Carlos Varela of the Partido Panameñista (PPA) on 25%, and Juan Carlos Navarro of the Partido Revolucionario Democrático (PRD) on 21%.

The continued popularity of the Martinelli government and, by extension, Arias's strength in the polls, has been attributed to recent government measures like the increase in the monthly minimum wage on 1 January – the third time the Martinelli government has raised the minimum wage since taking office in July 2009. The increase of between 13% and 27% to US\$488-US\$624 will benefit 270,000 workers. This is significantly higher than Panama's inflation rate which closed at 4% in 2013, down from 5.7% the previous year. Further driving Martinelli's popularity is a US\$20 monthly increase sanctioned by the President last month in the 'Cien a los Setenta' welfare programme, which provides a monthly US\$100 cash stipend for people aged 70 years or older without a pension.

## HONDURAS | POLITICS

### Libre fails to shoot down PN-PL in congress

Newly elected deputies for former president Manuel Zelaya's left-wing Libertad y Refundación (Libre) caused US\$78,000 worth of damages in their first day in congress (on 22 January), after they smashed desks and microphones and destroyed the computerised voting system, according to Francisco Rivera, president of the congressional budget commission. Rivera added that the electronic voting system, worth US\$1.3m, had been a donation from the government of Taiwan, one the country's closest international allies and cooperation partners.

Rivera, needless to say, hails from the ruling Partido Nacional (PN). "Those [people] from Libre have set fire to buildings [and] buses and no-one charged them with anything, but there you have the cameras and you [reporters] know who was responsible for destroying the equipment in congress". He went on: "If they are man enough to destroy microphones and steal bells, they should be man enough to pay for them."

If this is indicative of the atmosphere in the new congress, then Honduras is in for a rocky ride in the coming term. Libre is the second largest force in the unicameral legislature, with 37 of the 128 seats, and along with the other new left-ish party, Partido Anti-Corrupción (PAC), led by the TV presenter-turned-presidential candidate Salvador Nasralla, it hopes to form an opposition bench of at least 50 deputies.

However, the PN, returned to office for another four years with a significantly reduced 48 seats (from 71), managed this week to secure the backing of the country's other traditional party, Partido Liberal (PL, Zelaya's old party), to assume the congressional leadership for the new term, including the presidency. In all 26 of the PL's newly elected deputies agreed to back the PN's slate, in the name of governability. In return for this, President-elect Juan Orlando Hernández, who was congressional president himself for three and a half years until he stepped down to run last year and proved himself a very 'convincing' operator, agreed to revise the recently approved and highly controversial economic adjustment package (*paquetazo*), starting with a decision not to impose a retail sales tax of 15% on basic essential consumer goods.

**Risks**  
In its December 2013 report on Nicaragua, the IMF highlighted that “downside risks remain, stemming from Nicaragua’s large external deficit and uncertainties regarding the global outlook and the oil import financing scheme with Venezuela”.

The PL was quick to celebrate the fact that it had won a revision of the contentious *paquetazo* — which Zelaya said would be his first mission in congress as opposition bench leader — “without provoking anarchy”. Zelaya, it appears, has been out-manoeuvred yet again by the same wily traditional party politicians that ousted him from the presidency in June 2009 (over his purported efforts at constitutional reform).

#### Congressional leadership

The PL has agreed to back the PN deputy Mauricio Oliva Herrera (Choluteca) as the new congress president. The PN needs 17 more seats for a simple majority of 65. A qualified majority, needed for the approval of decisions of constitutional range, is 86. It already has the three votes of the congressional minnows: Partido Demócrata Cristiano (PDC), Partido Innovación y Unidad Social Democrática (Pinu-SD) and Unificación Democrática (UD). The PL insists that it will remain in opposition, but its 26-27 votes would give the PN a solid majority of 77-78.

#### TRACKING TRENDS

**NICARAGUA | New central bank president.** President Daniel Ortega has revived concerns about interfering in State institutions, with his decision this week to fire the head of Nicaragua’s Central Bank (BCN), former finance minister, Alberto Guevara, replacing him with the Bank’s number two, general manager, Ovidio Reyes. Ortega failed to give reasons for his decision to replace Guevara but local opposition daily *La Prensa* linked it to Guevara’s “alleged excesses”, such as his insistence on staying in lavish hotels.

Guevara was appointed in February 2012 [WR-12-09], replacing Antenor Rosales, who went after five years in the post – a move attributed to his resistance to President Ortega’s call to move some of Nicaragua’s international reserves to a regional bank proposed by the Venezuela-led regional initiative Alba.

Fears that the decision to replace Rosales, who was considered key to maintaining Nicaragua’s economic stability, would have a negative impact have not materialised. In its most recent (December 2013) visit, the IMF noted that “over the past two years, macroeconomic developments in Nicaragua have been generally favorable. Real gross domestic product (GDP) grew by an average of 5¼ percent during 2011–12, and the annual average inflation was 7¼ percent during the same period. Looking ahead, the macroeconomic outlook also remains broadly positive. Real GDP is expected to grow by 4¼ percent in 2013 and then stabilize at its potential level of 4 percent over the medium-term. Inflation is projected to remain at about 7 percent supported by the crawling-peg exchange rate system that has helped anchor inflation expectations.” While noting risks persist (see sidebar) the IMF praised “the authorities’ efforts to maintain fiscal discipline and monetary stability, which, combined with progress in structural reform, have helped to strengthen confidence and boost economic growth.”

**GUATEMALA-MEXICO | Gas pipeline.** Guatemala’s economy minister Sergio de la Torre this week announced plans for Guatemala and Mexico’s state oil company Pemex to construct a 500km gas pipeline linking the two countries. De la Torre said that the pipeline, which would link Mexico’s Salina Cruz city in the state of Oaxaca with the Guatemalan department of Escuintla, could cut energy costs by up to 75% and would provide local manufacturers with access to cheaper energy.

With Pemex yet to comment, the international media has cited Guatemalan officials at putting the cost of the project at either US\$1.2bn or US\$700m while President Otto Pérez Molina has also been reported as saying that the Inter-American Development Bank (IDB) has expressed an interest in providing a US\$300m loan. The plan, which has yet to be signed by President Pérez Molina and his Mexican counterpart Enrique Peña Nieto, follows a 13 January visit to Mexico by Guatemala’s foreign minister, Fernando Carrera, where he visited his Mexican peer, José Antonio Meade Kuribreña and the two agreed to promote bilateral trade and investment.

## Federal forces assert authority in Michoacán

The conflict-torn area of Tierra Caliente in the south-western state of Michoacán is now under the full control of federal security forces, the interior ministry (Segob) revealed this week. More than 1,000 municipal police officers have been replaced and face a vetting process. The 'self-defence groups' have accused municipal police of colluding with the local drug trafficking organisation (DTO), Los Caballeros Templarios (LCT). Coming in conjunction with the capture of a senior LCT leader, this looks like a change of tactic, seeming calculated to persuade the self-defence groups that the federal forces have everything in hand and that they can disarm, obviating the need for the forced disarmament which led to violent clashes between the military and vigilantes last week [WR-14-02].

The federal police (PF) supported by the military have "assumed the policing responsibility in all of the municipalities" in the Tierra Caliente region, Segob announced. Upwards of 1,200 municipal police officers have now been sent to a military training centre in the central state of Tlaxcala to be 'evaluated'. If this went some way towards placating the self-defence groups after the violence last week, the arrest of Jesús 'El Toro' Vásquez, one of the seven top leaders of the LCT, won acclaim.

The vigilantes had complained about the persistent failure of the federal forces to arrest any senior member of the LCT and conditioned downing their arms upon the arrest of the top seven. Hipólito Mora, a senior vigilante leader, congratulated the federal government for succeeding in bringing "more peace" to Tierra Caliente. However, Estanislao Beltrán, another senior self-defence leader, said that the vigilantes would only lay down their arms when the LCT stopped operating in Michoacán; he said that otherwise his head would be swinging from somewhere within three days.

There is an uneasy truce between the self-defence groups and the federal forces for now with the government clearly having decided to change tack and to prioritise purging the police at a local level and targeting the LCT. Vásquez was captured in the port city of Lázaro Cárdenas without a fight. The federal attorney general's office (PGR) is offering a total of M\$130m (US\$9.77m) in rewards for 17 LCT leaders: a total of M\$30m each was placed on the heads of the main leaders of the DTO, Servando 'La Tuta' Gómez Martínez and Dionisio 'El Tío' Loya Plancarte.

For the time being, the political opposition is broadly supportive of the action being taken to improve security in Michoacán, but the government of President Enrique Peña Nieto has come in for fierce criticism for its creation of the position of a special commissioner for Michoacán. The president of the left-wing opposition Partido de la Revolución Democrática (PRD), Jesús Zambrano, said the new commissioner, Alfredo Castillo, was effectively a "viceroys [...] with no counterweight and with no legal responsibility to any established power" and with nobody to be held accountable to.

"This is autocracy", Zambrano said, while claiming that Castillo had been appointed solely because of his ties with Peña Nieto rather than his qualifications for the job. Zambrano said that while he agreed with the need to take urgent measures to re-establish the rule of law in Michoacán, this was "not sufficient" and that measures to increase production and improve education and health in Michoacán were essential to redress the parlous security situation. Peña Nieto responded to this criticism by insisting that his government was committed to "the reconstruction of the social fabric and integral devel-

### Getting back to normal

The interior ministry (Segob) claimed this week that since federal forces were deployed en masse to Michoacán on 13 January, stores had opened for business again and classrooms had welcomed back pupils in 300 schools.

## **José Manuel**

### **Mireles**

One of the leaders of the self-defence groups, José Manuel Mireles, who was admitted to hospital in Mexico City after sustaining injuries during an airplane accident earlier this month, claimed this week that the federal government had sought to “use” him when it released a video of his remarks last week in which he appeared to accept its call for the self-defence groups to disarm. Mireles said that he was handed a document by “a government official” to read before the cameras; the resulting video was aired on a television news outlet, but Mireles claims it only included the first part of his recording. He said the second part was consistent with another video posted to YouTube by him on the same day saying that the self-defence groups would not lay down their arms until the seven senior LCT leaders are arrested.

opment” in Michoacán, and would also intensify the application of its ‘national crusade against hunger’.

Meanwhile, the senate coordinator for the right-wing opposition Partido Acción Nacional (PAN), Jorge Luis Preciado, said that his bench would travel to the state capital, Morelia, for a party plenary meeting between 29 and 31 January and would ask Castillo to attend to explain precisely what his role was and the limit of his powers.

Castillo responded to the criticism by claiming that he was “the federal government’s representative” in Michoacán and that Fausto Vallejo remained the state governor. “Coordination and cooperation”, Castillo said, “do not amount to subordination”. Vallejo revamped his security team yet again this week to try and improve that coordination and cooperation. He named a fourth new security minister in the last two years, Carlos Hugo Castellanos, who replaces General Alberto Reyes Vaca, and a new attorney general, José Martín Godoy, to replace Marco Vinicio Aguilera.

It is not surprising that the political opposition should raise concerns about the federal government amassing power with limited accountability – all longstanding criticisms of the ruling Partido Revolucionario Institucional (PRI). But there are perhaps more pertinent questions, foremost among which is whether the Peña Nieto administration has a definite plan and a timeframe for federal intervention or whether this was an impromptu response to the threat of a bloodbath in Apatzingán as the self-defence groups prepared to enter the city.

### **Human Rights Watch**

Speaking at the launch of the Latin American chapter of the annual Human Rights Watch (HRW) report in Washington on 21 January, the HRW regional director, José Miguel Vivanco, was fiercely critical of the Peña Nieto administration. Vivanco argued that it had been “very unclear” regarding its position on self-defence groups, causing “great uncertainty” by treating it as “a second order issue”.

Vivanco went on: “It seems the government has been learning along the way, improvising the details of their approach against a very serious situation [...] It is very easy to fall into this type of model where a Frankenstein, with no government controls, is created”. He added that the self-defence groups risked becoming “associated with or co-opted by drug traffickers themselves”, much like the Autodefensas Unidas de Colombia (AUC) paramilitary groups in Colombia.

The HRW report maintained that there had been “little progress” by the Peña Nieto administration in “prosecuting widespread killings, enforced disappearances, and torture committed by soldiers and police in the course of efforts to combat organised crime”.

Peña Nieto took issue with the claims in the report, maintaining that statistics showed that there had been “a real decrease in levels of violence” in Mexico. There were 18,143 ‘intentional homicides’ (*homicidios dolosos*) in 2013, down almost 16.5% on the figure of 21,728 in 2012, according to figures from the national public security system (SNSP), cited by the daily, *Milenio*, this week. Murders in Tamaulipas, Nuevo León and Veracruz fell by almost 50%, although they rose in Michoacán, Hidalgo, Oaxaca, Sonora, Tabasco and Tlaxcala.

Despite this apparent progress, however, kidnapping increased in 2013 by 20.4%, with 1,695 cases, compared to 2012. Extortion also increased, by 10.5%, with 8,042 cases. This is awkward for Peña Nieto who made a big point during his electoral campaign in 2012 of underlining his determination to combat the crimes committed by DTOs that directly impact the everyday lives of Mexicans, especially kidnapping and extortion.



**Correa celebrates new landmark****Integration**

President Correa said Ecuador was fully committed to regional integration and strengthening relations with the Union of South American Nations (Unasur), the Alianza Bolivariana para los Pueblos de Nuestra América (Alba) and the Comunidad de Estados Latinoamericanos y del Caribe (Celac), but that “mistakes” had been made in the integration process. He said that in hindsight he would not have signed the founding treaty of Unasur in Brazil in 2008 as it was “made up so that nothing is done”, everything having to be decided by consensus allowing one country to have veto power.

President Rafael Correa celebrated his seventh anniversary in power on 15 January, eclipsing his icon former president Eloy Alfaro (1895-1901; 1906-1911) as the longest consecutive serving head of state in Ecuador’s history. He chose a poor suburb in the coastal city of Guayaquil still lacking basic services as the venue for a party on 18 January. His choice was deliberate. Correa is gunning for Jaime Nebot, the long-serving mayor of Guayaquil, the last opposition bastion, in municipal elections on 23 February. The poverty of the suburb was calculated to show voters that Nebot has neglected the poor. The government also released myriad statistics showing the great strides taken under Correa’s citizen’s revolution over the last seven years compared with the seven years before he came to power.

By the time President Correa completes his mandate in 2017 he will have been in power for 10 years, the same length of time as the combined mandates of the seven presidents who preceded him. The special event in Guayaquil marking the culmination of his seventh year in office was an eminently electoral act, designed to show the achievements of his administration, while highlighting the shortcomings of the Nebot era.

Correa has made no secret of his determination to displace Nebot, the second most powerful political figure in the country who has controlled Guayaquil since 2000, with a “young and attractive” candidate from his party Alianza País (AP), Viviana Bonilla, and to win a majority on the city council for the AP. He won approval from the national assembly, which is dominated by the AP with 100 of 137 seats, for a one day leave of absence from his day job on 21 January to campaign with the AP in Guayaquil. He had already taken a three-day leave of absence between 7 and 9 January to campaign alongside AP candidates.

During his 40-minute speech in Guayaquil, Correa argued that “the revolution in education” was his government’s most important achievement; “more important than roads, hydroelectric stations, airports, ports and even hospitals”. Notable progress has been made since Correa came to power. Given the plethora of statistics provided by the government to showcase its achievements in poverty reduction and in other areas, it was only surprising Correa did not provide more data on education. The latest Global Competitiveness Index (GCI) of the World Economic Forum (WEF), for instance, ranked the quality of Ecuador’s educational system third, behind only Costa Rica and Guyana, in Latin America and in 62nd place out of 148 countries worldwide compared to 125th place out of 134 back in 2008, shortly after Correa took office. Ecuador finished in 74th place for the quality of primary education, behind the same two countries and Suriname in the region. It also leapt up the table for the extent of staff training.

Correa said that if there was an economic crisis and the price of oil fell, the government “would sacrifice everything except education”, from the provision of funding for pre-school teaching to grants for higher education and postgraduate studies. He added: “The foundation of democracy and of a social project is free and mass access to high quality state education.”

Correa also pointed out that the Economic Commission for Latin America and the Caribbean (Eclac) had singled out Ecuador as “one of three countries in Latin America that has most reduced poverty, and not just for economic growth we are also the Latin American champion for reducing inequality”. The head of the national planning and development secretariat (Senplades), Pabel Muñoz, duly provided the figures. He said that pre-Correa the richest 10% earned 37 times more than the poorest 10%; now it was 24 times as



## Arauca attack

The military targeted the Farc's 'Alfonso Castellanos' mobile column in Arauca, and is now on the trail of its leader, 'Franklin' (Omar Guevara Rivera), who it says was wounded in the attack. This mobile column has inflicted some painful blows on the military, including an ambush, led by 'Franklin' last August, in which 14 soldiers were killed.

much. Before the citizens' revolution the minimum wage was US\$160 a month and covered 40% of the basic food basket; now it stands at US\$370 a month and covers 100% of it, Muñoz boasted.

In part the spending required to revamp the education system and combat poverty has been provided by a huge increase in the tax take. The director of the tax agency (SRI), Carlos Marx Carrasco, said that there was a record tax take of US\$12.76bn in 2013, up 13.3% (US\$1.5bn) on 2012. He said the tax take over the last seven years amounted to US\$60.66bn, almost tripling the tax take of US\$21.99bn over the previous seven years. He quipped that it was "very rare for the SRI to issue bad news".

Opponents argue that the government has mortgaged the future of today's students, however well-educated they might be, by recklessly bankrolling spending by indebting the country to China. While Correa was celebrating in Guayaquil this weekend, Vice-President Jorge Glas was in China cap in hand to seek further financing, this time for the delayed US\$10bn Pacific refinery, which would have a capacity of 300,000 barrels per day.

Correa announced on 22 January that it was "just about a done deal" for the Industrial and Commercial Bank of China (ICBC) to fund 70% of the Pacific refinery project. The China National Petroleum Corp (CNPC) will pick up shares in the project from the Venezuelan state oil company Pdvsa, which was originally supposed to provide the financing. Correa defended the decision to seek Chinese funding. "China finances the US, but if we go looking for financing from China, we are mortgaging the country..." he said.

## COLOMBIA | SECURITY

### Attacks intensify as Farc ceasefire ends

One person was killed and 61 injured after an attack perpetrated by the Fuerzas Armadas Revolucionarias de Colombia (Farc) in the municipality of Pradera in the south-western department of Valle del Cauca. The attack took place just after the Farc's one-month unilateral ceasefire ended on 15 January. Since then, the security forces have struck the Farc hard in three separate attacks in the department of Arauca, on the border with Venezuela, and the southern and central departments of Tolima and Meta respectively, in which 26 guerrillas were killed and 18 captured.

A motorbike laden with explosives was remotely detonated by mobile phone near the police station and town hall in Pradera early in the morning on 16 January, the day after the Farc's ceasefire ended. The Farc distanced itself from the attack. 'Rodrigo Granda' (Ricardo González), the Farc's 'foreign minister' who is sitting at the negotiating table in Havana, said that as a rule the Farc did not attack the public and that if the guerrilla group had perpetrated the attack in Pradera it would have been targeting the security forces. Pradera, however, is firmly within the Farc's sphere of influence. With a population of some 50,000 inhabitants, it is one of the two municipalities (with Florida) which the Farc had proposed as a demilitarised zone (*despeje*) for peace talks under former president Alvaro Uribe (2002-2010).

"If this is how the Farc are going to recommence action, it is infinitely inept because all they will achieve targeting the public is the reaction of the whole country against them," President Juan Manuel Santos said in response to the attack. The military gave a less eloquent response in the following days. First, the bombardment of a Farc camp by the Colombian air force in the department of Arauca claimed the lives of 14 guerrillas (see sidebar). Over the next few days a further seven guerrillas were killed in another joint attack by the army and air force in Tolima and five more in a similar attack in Meta.

During a business forum in Madrid on a two-day visit to Spain on 22 January, President Santos said he was "more optimistic than a year ago" about the

## Calling a duck a duck

The general consensus is that what is taking place is devaluation by stealth. “It looks like a devaluation, it quacks like a devaluation, it hurts like a devaluation: it’s a devaluation,” was one Tweet in response to the Ramírez announcement, quoted by the news agency Reuters.

peace talks “but, being a realist, there is a long way to go”. He wrote on the presidential website that the attacks demonstrated that his government would not allow any let up in military pressure on the Farc during the talks in Havana. “The military offensive will continue until we reach accords, as if there were no talks in Havana. To the negotiators in Havana I have said: ‘accelerate the negotiations, as if there was no fighting in Colombia, as if there were no military offensives.’”

The intensification of attacks suits Santos’ purposes with presidential elections looming in May. It is an emphatic response to criticism from Uribe that he has taken his eye off the ball militarily. There is a limit to how many blows the Farc can sustain, however, before the talks start to suffer.

### Farc tables drug proposal

The Farc presented its alternative plan to “regulate the production of coca, poppies and marijuana” last week in the latest round of talks. The Farc’s top negotiator ‘Pablo Catatumbo’ (Jorge Torres Victoria) said the government should end crop spraying and forced eradication and regulate crop production for “medicinal, therapeutic and cultural” uses as in Bolivia, while throwing its full weight behind promoting alternative development. He said the plan could be funded through eliminating the military presence in these areas, which should be declared peasant farmer reserve zones (ZRCs). The Farc-mooted expansion of ZRCs is a very thorny issue. It was left out of the partial accord on land reform, the first issue on the agenda, with discussion deferred to a later date.

## VENEZUELA | ECONOMY

### ‘Come fly with me’

**Rafael Ramírez, the long serving energy minister and president of the state oil company Petróleos de Venezuela (Pdvs), and since last year also vice-president for economic affairs, announced this week another new ‘reform’ of the officially controlled exchange rate regime. Though Ramírez did not say as much, the government looks to be moving towards more of a formalised dual exchange rate regime, with one rate for imports of designated essential goods and another for all other imports.**

Ramírez announced that airlines, Venezuelans travelling abroad and foreigners sending remittances home must henceforth use the secondary exchange rate (FX) agency, Sistema Complementario de Divisas (Sicad). Although the central bank does not publish the average FX rate offered in its weekly Sicad dollar auctions, it is generally reckoned to be about BF11/US\$1. Ramírez more or less confirmed this in revealing that the average rate in the latest auction was BF11.36/US\$.

The minister seemed to indicate that airlines, outbound Venezuelan tourists and remittance senders would now be offered this rate specifically, but he was not entirely clear as to whether this would now be a set rate for all the other importers taking part in the weekly Sicad auctions, or whether the rate would continue to be dictated by demand. However, Ramírez did say that the central bank would double the size of the weekly Sicad auctions to US\$200m.

Meanwhile, the preferential (official) rate of BF6.3/US\$ is now effectively reserved for purchases of priority goods like medicines and essential foods, which in many cases are brought in by the government itself and/or State agencies. Even foreign investment (including in the oil sector) is now booked at the Sicad rate. (Allowing foreign companies to charge expenses at the lower Sicad rate will reduce the cost of investing in Venezuela). The main FX agency, Comisión de Administración de Divisas (Cadivi), is being abolished, with the new national centre for foreign trade, led by Commerce Minister Alejandro Fleming, now managing these essential imports.

## Ecuador-EU talks

On 21 January Ecuador's President Rafael Correa said that in his opinion there are now "no great differences" in the ongoing economic association agreement negotiations that his government is conducting with the European Union (EU). In 2009 Ecuador decided to pull out of the trade negotiations that the EU launched with the Andean Community (CAN) trade bloc in disagreement with the terms of the deal. However, since then the two sides decided to re-launch negotiations this year, with the first round taking place in Brussels on 13 January. Commenting on this, Correa told a local radio station that "significant progress" was made in the first round and that "practically everything is in place" for a deal to be reached in the first half of the year.

In other words, the government (and government officials and/or associates) will have preferential access to the preferential rate. Of course there is nothing to stop unscrupulous officials from selling on the essential goods they acquire at the preferential rate for a lucrative profit on the black market, where scarce goods are now being traded at up to BF78.85/US\$ on the Colombian border, according to websites that publish the (illegal) black market rate.

More notably, Ramírez said the government would "review" the rates for its debts with private sector companies. That will sound alarm bells. According to the International Air Transport Association (IATA), foreign airlines have the equivalent of some US\$3.3bn trapped in Venezuela (measured at the official rate) because of exchange controls. Ramírez suggested that the government might offer them fuel (oil/gas) or bonds by way of payment.

Ecuador's Tame Línea Aerea this week suspended indefinitely its seven weekly flights from Caracas because of payment delays from the Venezuelan central bank, a company spokeswoman told the news agency Bloomberg, which also noted that payment delays had forced the Spanish carrier Air Europa to suspend sales in January. Elsewhere, Empresas Polar, Venezuela's dominant food company, has complained that it cannot import sufficient raw materials because of delays by the authorities in releasing dollar assignments for its suppliers. Foreign reserves were US\$21.5bn as of 21 January, on central bank data, down from US\$28.5bn a year ago.

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## TRACKING TRENDS

**COLOMBIA | Record breaking bond issue.** On 21 January the Colombian government announced that it had successfully placed US\$2bn in 30-year sovereign bonds in international markets, the largest bond issue of its kind by any Latin American country ever. The result is an unquestionable boon for the government led by President Juan Manuel Santos as it serves as evidence that investor confidence in the country's economic management is strong. Indeed the fact that this vote of confidence comes as Colombia prepares to hold legislative elections on 9 March and presidential elections on 25 May, in which Santos is standing for re-election, is surprising. Yet Colombia's economy is in good condition, averaging annual growth rates of over 4% in the last couple of years, and investors appear to believe that this will continue to be the case regardless of who is in the Casa de Nariño.

News of the issue was delivered by Santos himself after he arrived in Spain for a two-day visit. Santos, who conveniently was scheduled to take part in an 'Invest in Colombia' forum in Madrid the following day, celebrated the result stating that "Today international markets have given the Colombian economy a great vote of confidence". He explained that originally the government had hoped to raise US\$1.5bn from the issue in order to invest in the country's infrastructure and rural development; but that the markets' response to the bond offer far exceeded the government's expectations and so it was decided to increase the offer by US\$500m.

According to Colombia's finance ministry the 2044 maturing bonds, which offered a yield of 5.64% and a 5.625% coupon - the lowest ever issued by Colombia - were oversubscribed, attracting some US\$4.2bn in orders from 229 institutional investors from the US, Europe, Asia and Latin America. Finance Minister Mauricio Cárdenas echoed Santos and said that the better-than-expected result showed that "the Colombian economy is perceived as one of the most solid economies in Latin America". Santos will be keen to spread this message at this year's World Economic Forum in Davos, Switzerland, which he is scheduled to attend on 23 January.

**Rousseff heads to Davos to charm investors**

Last year, Brazil's delegation to the World Economic Forum in Davos was decidedly modest: Alexandre Tombini, the central bank president, and Luciano Coutinho, the president of BNDES, the development bank. The year before that, President Dilma Rousseff attended an anti-capitalist conference in Cuba while the world's leading capitalists met in Switzerland. In 2014, however, with investor confidence in Brazil souring, the president is leading an all-star delegation to Davos in an attempt to counter the increasingly negative perceptions of her country's economic prospects.

Among those accompanying the president are the head of Petrobras, Maria das Graças Silva Foster; the foreign minister, Luiz Alberto Figueiredo; the development minister, Fernando Pimentel; and her under-fire economy minister, Guido Mantega. Confidence in Mantega among investors is low, due to his sudden change of tax rules, overly optimistic projections and use of accounting manoeuvres to improve the appearance of Brazil's fiscal accounts. Edwin Gutierrez, a fund manager at Aberdeen Asset Management, said: "One of the best signals Rousseff could send would be firing Mantega." However, Rousseff has repeatedly ruled out moving Mantega in the cabinet reshuffle due by the end of the month.

Dispelling the air of gloom surrounding Brazil's economy will require hard work. In a poll by Bloomberg in November 2013, 43% of investors described Brazil's economy as deteriorating, while 51% said they were pessimistic about the impact of Rousseff's policies. Growth for 2013 is pencilled in at 2.3%, meaning the average rate of growth during Rousseff's term in office would be 2%. Inflation, meanwhile, is proving irritatingly persistent, hovering just under 6%, close to the limit of the 4.5% plus or minus 2% target set by the government.

Attempts to choke off inflation with interest rate rises have yet to take effect, despite the central bank increasing the Selic for the seventh consecutive time last week. It now stands at 10.5%. The devaluation of the Real is making imports more expensive. It has fallen in value by 26% over the past two years and is expected to drop further in 2014. Net foreign direct investment in Brazil was US\$57.5bn in the first 11 months of 2013, down from US\$59.9bn in the same period the year before, and US\$60bn in 2011.

Brazil's public spending is rising steadily, while tax revenues have slowed due to weak growth and tax breaks aimed at stimulating industries. Given 2014 is an election year in Brazil, the business leaders in Davos may forgive Rousseff for not making immediate adjustments in fiscal policy to balance the books. They will, however, be keen to hear her plans for 2015 should she retain her job, as opinion polls continue to suggest.

Rousseff will speak publicly in Davos on 24 January and afterwards she is due to attend a fully booked private session with investors, economists and executives of top multinational companies. The Brazilian government is investing heavily in infrastructure at present, and the meeting will give Rousseff an opportunity to show investors that Brazil wants their business to build roads, railways and airports.

Richard Lapper, head of *FT Confidential*, said that the greater danger for Brazil was that consumer goods companies, keen to move into or expand their opera-

**Fewer jobs created**

Figures from Caged, the general register of employed and unemployed, showed that in 2013 the Brazilian economy created 1.17m jobs. This was down 14.1% on 2012, when the number was 1.3m. The 2013 result was the worst since 2003.



## Combating police violence

Fearing that police action could inflame protests ahead of the World Cup, the justice minister, José Eduardo Cardozo, is planning a series of meetings with the security chiefs of all 12 host states, starting at the beginning of February. There were at least 36 protests against the World Cup in all of Brazil's states this weekend alone, with the recent 'rolezinho' phenomenon demonstrating to the Brazilian authorities how easy it is to mobilise protests quickly via social media.

tions in the country, would catch the pessimism of the financial markets. He said it was important for Rousseff to make sure companies like Procter & Gamble, Unilever, L'Oreal, Toyota and Ford continued to believe in the Brazil story.

After Davos, Rousseff will travel to a regional summit in Cuba where she and President Raúl Castro will inaugurate a US\$900m container terminal built in the port of Mariel by Odebrecht, one of Brazil's biggest multinational conglomerates.

## BRAZIL | SOCIETY

### Maranhão murders put Brazil's prisons in the spotlight

Even by the levels of violence to which Brazilians are accustomed, the video published by *Folha de São Paulo* in early January was particularly gruesome. In the short clip, a group of inmates in the Pedrinhas penitentiary in the northern state of Maranhão show off the decapitated and mutilated bodies of three men, apparently members of a rival gang. Filmed in December 2013, the victims were just some of the 62 inmates killed in that prison last year. In response to the publication of the image, the governor of Maranhão state, Roseanna Sarney, of the Partido do Movimento Democrático Brasileiro (PMDB), merely questioned the authenticity of the footage. For others, however, the two-minute clip has raised serious questions about the conditions in Brazil's prisons.

#### Prison population

According to a report by the International Centre for Prison Studies from the University of Essex, Brazil has a prison population 55% higher than the international average. Published in *O Globo* on 22 January, the study shows that in 2003 Brazil had 164 prisoners per 100,000 people, just below the international average of 160. In 2013, the global average was 177, but Brazil jailed 274. Brazil now has a total prison population of 548,000, just behind the US, China and Russia.

Overcrowding is a serious problem. Pedrinhas, built for 1,700, houses 2,200 prisoners. According to the government's own figures, Brazil's prisons are 43% over capacity. Of the half million Brazilians in prison, 20,000 are children. Putting suspects into preventative detention is part of the problem. Around 200,000 prisoners have yet to face trial. Two-thirds of prisoners in the state of Piauí are in pre-trial detention.

With the sole exception of Roraima, all Brazilian states lack public defenders, according to statistics from the ministry of justice. Julita Lemgruber, the coordinator of the centre for security and citizenship studies at the Universidade Cândido Mendes, said, "The legal system accuses someone of committing a crime, imprisons them, and then fails to prove anything. Prisoners have all of their rights violated."

The precautionary measures law, passed in 2011, was designed to give judges alternative options to imprisoning suspects. Lemgruber said it was clear that the law was not working. In the state of Rio de Janeiro, judges have meted out preventative detention in over 73% of cases since 2011. Previously this figure was 84.1%.

The 2014 World Report by the NGO Human Rights Watch (HRW) states that torture is a chronic problem in police stations and detention centres. It notes that although President Dilma Rousseff signed into law the creation of a body to prevent and combat torture in August 2013, the 11-member body was still not operational at the beginning of the year.

## Mercosur-EU trade agreement

On 21 January Uruguay's foreign minister, Luis Almagro, left open the possibility that one or more of the Southern Common Market (Mercosur) member countries could be excluded from the trade negotiations with the European Union (EU) in a bid to facilitate the long-stalled talks. Mercosur-EU trade negotiations have been dragging on since 2000 with the two sides unable to reach a final deal. But Almagro said that in a bid to expedite the process Mercosur is now toying with the idea of concluding "a three-country agreement, or the signing of a single-country agreement" with those initially left out to be included down the line. According to Almagro this is to be discussed at the next Mercosur heads of state summit, scheduled to take place by mid-February.

## "I love Maranhão"

The violence between rival gangs in the Pedrinhas penitentiary has spilled out into the nearby city of São Luís. On 3 January two police stations were attacked and four buses burnt, apparently on the order of inmates. A six year-old girl, trapped on one of the buses, died after suffering from burns on 95% of her body. On 21 January police detained five men they suspected of planning further attacks.

Following Maranhão's unwanted prominence in the national media, the senator, and former president, José Sarney (PMDB) felt moved to defend his native state in an article for a local newspaper. Headlined "I love Maranhão", Sarney said that Maranhenses should not "accept this campaign against our land". Meanwhile, President Rousseff used a radio interview to deny a claim by the presidential candidate for the opposition Partido da Social Democracia Brasileira (PSDB), Aécio Neves, that the federal government was "washing its hands" of the problem of violence.

## ARGENTINA | POLITICS

### The curious case of the missing president

For 40 days now the usually active Twitter feed @CFKArgentina has fallen silent. After 32 days out of public view, President Cristina Fernández did finally reappear at a ceremony in the Casa Rosada palace on 22 January. However, her prolonged absence, and uncharacteristic silence, during the police strikes, looting, power cuts, dollar flight and debt negotiations that have dominated the headlines in Argentina over the past month have led many to speculate that Fernández may be in office, but not in power.

Jorge Capitanich, the cabinet chief whose daily press conferences have taken the place of Fernández's commentaries, has had to reassure the Argentine media, and opposition politicians, that Fernández "continues to govern the country with absolute dedication". He also criticised those who questioned whether, given the medical leave the president recently required following brain surgery, she was fit enough to do the job.

In her absence, however, Capitanich himself has repeatedly been left floundering, as he announces policies subsequently contradicted by officials close to Axel Kicillof, the economy minister. Kicillof, who has just returned from France where he was attempting to renegotiate Argentina's debts with the Paris Club, appears to have the ultimate say in government policy. Other influential figures, such as Fernández's son, Máximo, and her legal secretary, Carlos Zannini, are less prominent.

While some ministers, such as the interior and transport secretary, Florencio Randazzo, are openly talking about a run for the Casa Rosada in 2015, though "only with the approval and support of the president", Kicillof has remained wisely silent on the issue. He has, however, let others talk up his prospects of becoming the candidate of Kirchnerista loyalists.

### Peso devaluation

Whether an economy minister who presides over a rapidly unravelling economy stands a chance in becoming president is open to question. In the latest attempt to stop the flow of dollars out of the country, the tax office (Afip) has expanded controls on on-line purchases. Now the tax-free limit of goods bought on-line from outside of Argentina is just US\$25; any more than that will be subject to a 50% tax. All goods will also have to be collected from a customs office, rather than being delivered to customers' homes. Capitanich defended the measure as a means of encouraging Argentine production.

Meanwhile the government is taking increasingly drastic steps to bridge the gap between the official value of the dollar and the black market rate, known as the 'blue dollar'. The gap between the two rates was around 50% at the end of

**Argentina has highest tax-to-GDP in region**

Argentina has the highest tax-to-GDP in Latin America, the Economic Commission for Latin America and the Caribbean (Eclac) revealed in a report published in conjunction with the Organisation for Economic Co-operation and Development (OECD). The report, 'Tax Statistics in Latin America, 1990-2012', put Argentina at 37.3%, just ahead of Brazil, the region's largest economy, which generated tax revenue of 36.3% of its GDP in 2012.

2013; in January the difference widened to around 65%. A wide gap between the two rates prompts public fears of a violent devaluation of the peso.

On 22 January the government allowed a sharp readjustment, with the official rate falling 3.4% in a day to Arg\$7.125/US\$1, the biggest drop in 12 years. The 'blue dollar', however, continues to slide: by the end of the day it was Arg\$12.10 to buy and Arg\$12.15 to sell. A day earlier the central bank's foreign currency reserves fell to a new low of US\$29.5bn amid continued interventions in the exchange markets.

**Paris Club**

Kicillof returned from Paris on 21 January "optimistic" over the possibility of Argentina rescheduling its debt with the Paris Club of debtors. Argentina stopped servicing its debts to the group at the end of 2001, and now owes over US\$9bn. Though details of the deal are sketchy, the Argentine media claim the Club will demand Argentina "normalise" its relationship with the IMF. Last week Indec, the official statistics agency, released its last inflation data under the old, discredited methodology. From now on, it has to comply with IMF methods. Indec said inflation was 10.8%; a group of opposition legislators said it was 28.3%.

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**TRACKING TRENDS**

**ARGENTINA | Aerolíneas's 2013 losses.** On 16 January Mariano Recalde, the president of Argentina's national airline, Aerolíneas Argentinas, revealed that the firm posted losses of US\$247m in 2013. Ever since Aerolíneas and its subsidiary, Austral, were taken over by the government in 2008 the two have posted massive losses year in and year out despite the high level of subsidies they receive from the State. In fact, keeping the two firms up and running has cost the State some US\$3.9bn since 2008.

But despite closing the year in the red once again, Aerolíneas losses were actually 44.1% lower than those registered by the firm in 2012. Indeed when presenting the 2013 results, Recalde gave a positive assessment of the firm's situation stating that: "We have achieved the goals set out in the company's budget and business plan, with an increase of almost 20% in passenger numbers and a trend towards less and less State assistance".

The results also show that overall sales for both Aerolíneas and Austral, amounted to US\$1.92bn, 21.7% up on the US\$1.58bn figure recorded in 2012. The number of flights, flight hours, and number of passengers were also up on the previous year, with increases of 16.3%, 14%, and 19.1%, respectively. According to Recalde, the expectation is that these upward trends will continue into 2014. As a result he said that the government hopes to expand both carriers' fleets so that these can serve 10m passengers each this year.

Recalde also said that there were plans to increase the number of destinations that the companies serve, announcing that from March Aerolíneas will begin flying from Buenos Aires to the city of Paraná, Entre Ríos province, which would mean that for the first time in 25 years Aerolíneas will once again fly to all 23 of Argentina's provinces.

There are also plans to open a new route to the Brazilian city of Curitiba, with which Aerolíneas is looking to improve its links with the whole of Brazil just in time for this year's Fifa World Cup (albeit construction of the stadium in Curitiba is so far behind schedule there is talk of the city being stripped of the right to host matches); and to consolidate its flights to New York City.

However, despite the positive figures posted last year, the financial results highlight just how dependent Aerolíneas is on State subsidies. According to data from the economy ministry, Aerolíneas and Austral had spent their entire fuel subsidy allocation by November, requiring an additional disbursement of US\$39.8m in order to carry on operating throughout December. All of this suggests that the State's bill for Aerolíneas will continue to rise.



## POSTSCRIPT

“To play with people’s need to work, to threaten them with unemployment, to pressure them to vote this way or the other, is a very powerful and unacceptable form of coercion. This has nothing to do with freedom of expression.”

- *Costa Rica’s left-wing presidential candidate, José María Villalta, takes legal action against a business group, Alianza Costa Rica.*

“These people think that by means of terrorist acts, which are not very different to what is happening in the Middle East, they will scare the public into submission. They are totally mistaken. They don’t have the slightest idea how to relate to the people [...] that is why they are loathed.”

- *Colombia’s Defence Minister Juan Carlos Pinzón on the Fuerzas Armadas Revolucionarias de Colombia (Farc).*

“The US ambassador no longer rules here; the IMF no longer rules economically; and the US military no longer trumps the armed forces.”

- *Bolivia’s President Evo Morales.*

### Peru’s Conga gold mine and Cajamarca’s regional president

A bitter smile. That was how the president of Peru’s north-eastern region of Cajamarca, Gregorio Santos, greeted the news on 22 January that the San Ignacio provincial public prosecutor’s office will seek to convict him to 30 years in jail for kidnap and resisting authority. The case dates back to 2005 when Santos was a leader of the *ronderos* (self-defence militia) of San Ignacio. Santos insists that he has no case to answer and that he is the victim of political persecution because of his staunch opposition to the US\$4.8bn Conga copper and gold mine. A week earlier some 750 protesters, led by local *ronderos*, marched to the proposed site of the Conga mine by the El Perol lagoon on Minera Yanacocha company property, and set fire to a telephone tower and security hut.

The case against Santos was brought by Petronila Vargas, who accuses him of kidnapping and torturing her, as well as murdering her father Eliseo Vargas in 2005. Santos maintains there is absolutely no evidence against him but that powerful people are out to get him because of his outspoken opposition to Conga. It is intriguing that after several years the public prosecutor’s office is moving on the case just as the Conga dispute is hotting up again. The march to El Perol renews protest action against Conga, and the president of the Frente de Defensa de Cajamarca, Idelso Hernández, says there will be further demonstrations on 24 January in the regional capital of Cajamarca to remind the authorities that opposition to Conga remains strong.

Yanacocha, owned by the US-based company Newmont Mining, suspended Conga in the wake of a serious social conflict more than two years ago. But on 28 December, the prime minister’s high commissioner on dialogue and sustainability, Vladimiro Huaroc, said Conga could restart operations in 2014. Huaroc claimed that leaders of 32 communities surrounding the project site all backed Conga “unanimously”; that Yanacocha was meeting its commitments to build reservoirs in the local area, quadrupling the local water supply, to assuage concerns about contamination; and that the project would win a “social licence” from the local population. Santos’s riposte was emphatic. “Technically, socially and economically, Conga is an unviable project and detrimental to the region’s sustainable development,” he said, while calling for more protests.

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