

latin american weekly report

06 November 2014, WR-14-44

ISSN 0143-5280

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

Latin American Newsletters since 1967

Path cleared for Ecuador's Correa to serve indefinitely

Indefinite presidential re-election has never existed in Ecuador. That is about to change. After four months of deliberations Ecuador's constitutional court (CC) has unanimously ruled that the unicameral national assembly can amend the constitution to allow indefinite presidential re-election, along with 15 other reforms, without the need for a national referendum to be staged. The ruling Alianza País (AP) has 100 of the 137 seats in the assembly, comfortably more than the two-thirds majority of 92 needed to approve the reforms. President Rafael Correa downplayed the significance of the CC ruling, arguing that indefinite re-election equated to "democracy without limits". The political opposition argued that it would be a shattering blow to democracy, and decried the ruling as confirmation that Ecuador's institutions were an appendage of the Correa administration.

The constitution requires referendums to be held on anything that changes the essential structure of the State. By ruling out the need for a referendum on the proposed constitutional amendments, the CC concluded that indefinite re-election, which has no precedent in Ecuador's 20 previous constitutions, does not constitute such a change. The president of the national assembly, Gabriela Rivadeneira (AP), said that deputies would move swiftly to debate the reforms and put them to a vote by early December. There will then be a hiatus of 13 months before a second and final debate is held in early 2016 just in time for the changes to take effect for general elections in February 2017.

The CC made its ruling on the eve of the 'Day of the Dead', prompting the leader of the conservative opposition Creando Oportunidades (Creo), Guillermo Lasso, to remark mordantly that the most sacred democratic value - alternation of power - had been "buried". Lasso announced that his party would immediately start gathering the 600,000 signatures required to force a referendum to be held on indefinite re-election as soon as the assembly approves the amendment. "This crusade is open to all", Lasso said. Lasso forged a coalition called 'Compromiso Ecuador' last week with 40 small political groupings of different hues to "defend democracy". He is now calling on all opposition parties to unite under this banner. Whether they all unite in action remains to be seen but across the political spectrum they united in condemnation.

The traditional right-wing Partido Social Cristiano-Madera de Guerrero (PSC-MG) said that the CC ruling was "absolutely intolerable, unconstitutional, unjust and illogical". While the prefect (governor) of the province of Azuay, Paúl Carrasco, a left-winger supported by estranged allies of Correa, the Marxist-Leninist Movimiento Popular Democrático (MPD) and Movimiento Ruptura de los 25, refused to attend a celebration on 3 November to mark the 194th anniversary of the independence of Cuenca, the capital of Azuay and Ecuador's third largest city, so that he did not have

Budget

Ecuador's finance minister, Fausto Herrera, sent a draft 2015 budget proposal to the national assembly last week for US\$36.32bn, up 6% on this year's budget. The budget proposal assumes an average oil price of US\$79.7 per barrel, and includes a fiscal deficit of about US\$5.4bn, or 4.94% of GDP. Herrera said the government is seeking to renew a US\$1.5bn credit line with China to help finance its 2015 budget. President Rafael Correa also said during his Saturday television and radio broadcast on 1 November that Qatar, which he visited a week earlier, was interested in investing US\$1bn in real estate and tourism projects in Quito, as well as mining, oil and petrochemical projects elsewhere in Ecuador.

to sit at the same table as Correa and could avoid associating himself with "an unconstitutional decision, taking advantage of the holiday [...] to perpetuate this regime in power".

Correa, who highlighted all the investment his government had made in Cuenca during his speech in the city, dismissed the opposition criticism of indefinite re-election as nonsensical. How would democracy be undermined, he reasoned, if people were empowered to decide who should be president at the polls in 2017? This argument is disingenuous. Indefinite presidential re-election compromises the system of checks and balance that is central to democratic governance. It fosters an all-powerful executive which can manipulate State institutions, State resources, and public opinion and creates an ineffectual and fragmented opposition, incapable of holding the government to account.

The real fear of the opposition, however, is that Correa is simply unbeatable at the polls and if he stands again it faces more years in the political wilderness. Correa has managed to retain a level of popularity unprecedented in Ecuador's modern democratic era. He has taken huge strides in improving education and expanding social justice, for instance, but his authoritarian and personalist leadership, as strenuously as he denies it, still smacks of the *caudillismo* of the country's past. Like Correa, José María Velasco Ibarra, who was president five times between 1933 and 1972, also saw politics as a Manichean struggle, lumping together all critics of his government as unpatriotic and anti-democratic. Just as Velasco claimed he was sacrificing himself and did not want to remain in power, Correa argues that indefinite re-election is a cross he reluctantly has to bear to stave off what he calls the "conservative restoration" and to ensure the achievements of his 'Citizens' Revolution' are irreversible. He has not groomed a successor.

The AP said in a statement that Lasso's announcement that he would proceed to gather the 600,000 signatures to force a referendum on the matter is "a strategy of the elites to destabilise the national government". Lasso should not have any difficulty mustering sufficient support even without the support of other opposition parties (he won nearly 2m votes in last year's presidential elections).

Some opposition politicians have expressed concern that the national electoral council (CNE) will block the referendum request as it did two petitions for a referendum on oil exploitation in the Yasuní national park last May after rejecting the authenticity of thousands of signatures [WR-14-18]. There is, however, a greater threat. Ironically, one of the proposed constitutional reforms seeks to circumscribe the holding of referendums by removing the words 'on any matter' from the end of the sentence 'Citizens will be able to request a referendum'. This means that the national assembly could approve this amendment and then invoke it to prevent a referendum on the issue of re-election.

The opposition has already accused the Correa administration of paying lip service to its much-vaunted commitment to direct democracy and citizen participation by ducking referendums on issues of moment, such as Yasuní, when polls showed the majority of the public wanted to be consulted, while holding a referendum on issues such as banning bull fighting and casinos in 2011. Correa accuses the opposition of hypocrisy, arguing that it had always denounced referendums as "the resort of fascists" and now suddenly "adores" them. Correa said that if Lasso was successful he would add other questions and issues to the referendum, such as whether the people agreed with what bankers earn: Lasso is a former banker.

All of this debate could prove academic if the economy heads downhill in the coming years. Correa's management of the economy has been shrewd but oil prices are declining and if this continues, resulting in reduced public investment, it could undercut support for Correa, at which point his U-turn on a commitment to leave oil deposits untapped in Yasuní could be crucial to boosting production.

Serra murder

On 5 November Colombia's national police announced the arrest of Leiva 'El Colombia' Padilla Mendoza, accused by the Venezuelan authorities of masterminding the murder on 1 October of Deputy Robert Serra (of the ruling Partido Socialista Unido de Venezuela). Padilla was captured in Bolívar department, after Venezuela requested Interpol to issue an arrest warrant. Venezuela's President Maduro last week said that investigators had identified all the material and intellectual authors of Serra's murder. Ten of 12 suspected authors (eight material) are being held in Venezuela. Maduro has attributed the crime to extreme right-wing elements acting to destabilise the government, with the help of Colombian paramilitaries, at one point implicating Colombia's former president Alvaro Uribe (2002-2010). The arrest comes after Colombia's foreign minister, María Angela Holguín, travelled to Caracas on 20 October to discuss the case, along with other matters.

ANDEAN COUNTRIES

VENEZUELA | POLITICS & ECONOMY

Not everyone believes in Saint Nicolás

Christmas has come early to Venezuela for a second year in a row, but the mood is far from festive. "Get up Nicolás! Its 9.30AM already! And most Venezuelans have already spent the joke of an increase you gave them!". "Have you had an empanada yet today? Then you have already eaten the salary increase that Nicolás considers 'fair' for you as of 1 December". "Unacceptable that Nicolás also intends to divide Venezuelans with the increases. Some with 45%, and others with 15%. Inflation hits everyone!" Thus proceeded a merry string of *tweets* from the opposition leader, Henrique Capriles Radonksi, the day after President Nicolás Maduro announced a 15% rise in Venezuela's minimum wage to BF4,889 per month from 1 December.

A few days before revealing the minimum wage increase, President Maduro had decreed a 45% across-the-board increase in military salaries, prompting outrage in many sectors. The 15% risked looking like an afterthought, although Maduro tacitly admitted that he was acting under pressure from disgruntled labour leaders. These days Maduro's main challenge in office seems to be in balancing and prioritising the huge pressures on him, stemming not from the opposition but from within the Bolivarian Revolution, which seems to be eating itself.

There is still a lot of speculation as to the current state of play with the 'colectivos', after the interior minister was removed in the wake of a violent clash on 7 October between 'colectivos' and the Cuerpo de Investigaciones Científicas Penales y Criminales (CICPC), the investigative arm of the national police, whereupon Maduro suddenly made a huge song and dance about police reform. The new interior minister, the powerful Admiral Carmen Meléndez (who moved across from the defence ministry), is to lead the police reform effort, suggesting that the military is pulling the strings. Yet none other than Deputy Freddy Bernal, of the ruling Partido Socialista Unido de Venezuela (PSUV), has been put in charge of a brand new presidential commission for police reform that Maduro said would be tasked with "restructuring the entire police system". Bernal is closely linked with the 'colectivos', and indeed penned an article on *Aporrea.com* on 28 October staunchly defending them (<http://www.aporrea.org/poderpopular/a197403.html>).

Bernal's appointment has prompted some commentators to suggest that the 'colectivos' have been the 'victors' in an apparent 'fight' with the CICPC and the former interior minister (also a military man). And to stir the pot even more, on 5 November 260 'colectivos' issued an official statement baldly stating that they would not take part in the government's latest disarmament plan, launched in September, as they are not a "band of delinquents" but "revolutionary organisations", whose "fundamental role" is to "defend the revolution, guarantee security and maintain the legacy of the late Hugo Chávez".

While there is no denying that the Venezuelan police has never had a good reputation, with armed 'colectivos' very visibly back on the streets and apparently willing to defy some parts of the government's official security policies, there are genuine and growing concerns as to who exactly has, or should have, the monopoly on the use of force in Venezuela.

Algerian oil

The super tanker 'Carabobo', owned by Venezuela's state oil company, Pdvsa, docked in the port of José last week loaded with 2m barrels of the Sahara blend Algerian crude. Pdvsa is buying light crude from Algeria's state-run Sonatrach to mix with its own heavy oil in order to boost sales, principally to China, but also with other Asian customers like India in mind. A second shipment is due by year end. Having failed to add domestic heavy crude refining capacity, Pdvsa's strategy now is to use the firm's new super tankers to cut freight costs and expand sales by bringing over the Algerian oil and then re-shipping the lighter blend out to Asia, where demand is high and prices better. Venezuelan sales to its traditional main customer, the US, have been in decline as it diverts sales to China; and US demand for oil imports is falling fast as its domestic shale oil supplies boom.

Merry Christmas all!

"Oil prices may come down, but not socialism and social justice in Venezuela", President Maduro declared in announcing the latest minimum wage rise, blaming inflation on the so-called 'economic war' being waged against his government for the past year. At US\$776 at the main exchange (FX) rate, Venezuelans officially have the highest minimum wage in Latin America. The latest increase brings the cumulative rise to 68.2% this year, "well above inflation", according to Maduro. Inflation was last reported by the central bank (BCV) at 63.4% year-on-year in August, with food price inflation running at 90%.

However, at the lower of the two secondary (Sicad) FX rates used to import most consumer goods into the country, the minimum wage falls to US\$99 per month. More pertinently, at the (illegal) black market rate that many Venezuelans have to use to access scarce goods (trading at BF102/US\$1 on 6 November, according to websites that publish it), it is just US\$48 per month.

In an echo of last year's 'Dakazo' [WR-13-46], 27,000 inspectors from the Superintendencia Nacional de Precios (Sundde) have begun targeting retailers of toys, clothes, home appliances and food to ensure that they are sticking to the 'law of fair prices' so as to guarantee "a happy Christmas". The daily *El Universal* reported on lengthy queues outside one store in Caracas, with the Bolivarian national guard on hand to keep order and limit purchases to three items per customer. Some customers reported 'Barbie' dolls 'on sale' at BF500 – which at the official rate equates to US\$79. In the US, a 'Barbie' sells for about US\$20.

Brazil summons chargé d'affaires over Jaua visit

Brazil's foreign minister, Luiz Alberto Figueiredo, summoned the Venezuelan embassy's chargé d'affaires, Reinaldo Segovia, to express Brazil's "unhappiness" at a visit by Venezuela's minister for communes and social movements, Elías Jaua, in late October, during which he inked cooperation deals with Brazil's left-wing landless peasant movement, Movimento dos Trabalhadores Sem Terra (MST). Jaua *tweeted* about the agreements, saying they were to "strengthen the communal economy". Officially, however, Jaua was in Brazil to accompany his wife for medical treatment. The Brazilians are aggrieved at his dealings with the MST, suggestive of interference in internal affairs. Jaua was already in trouble over an incident involving the detention at São Paulo's Guarulhos airport (on 24 October) of his children's nanny, who had a gun (Jaua's) in her luggage. And if that were not enough bad PR, the nanny and the Jaua couple had travelled separately to Brazil on planes owned by Venezuela's state oil company, Petróleos de Venezuela (Pdvsa).

ECUADOR-PERU | TRADE & DIPLOMACY

Deepening integration for peace and prosperity

"Peace is above all about presence", Ecuador's President Rafael Correa said while hosting his Peruvian peer, Ollanta Humala, and his ministers for an eighth binational cabinet meeting in the border town of Arenillas in the province of El Oro on 30 October. "The presence of justice; the presence of rights, education, health, connectivity; energy; productive opportunities, salaries and decent work," Correa added. Measured by this yardstick, Correa said, "there is still a lot left to do to construct this true peace, based on justice".

It is easy to forget now that binational cabinet meetings are all the rage (and relations all the closer for it) that it is still a mere 16 years since a peace accord was signed following the 1995 Cenepa war between Ecuador and Peru. Humala called for the need to deepen confidence between the armed forces of both countries to redouble efforts to clear what he estimated at 10,000 anti-personnel mines along the border dating back to the brief war.

The two heads of state signed three firm accords on the exchange of convicted criminals; the establishment of protected areas on both sides of the border; and good practice for people with disabilities. They also agreed to

Central bank ruckus

Peru's President Ollanta Humala sent a letter to the president of the central bank, Julio Velarde, on 4 November censuring his 6% salary raise and calling for it to be revoked. "I must emphasise my deep disagreement with this decision, considering you are the official who earns the highest salary in the Peruvian State," Humala said in the letter. Velarde's annual salary was increased by the central bank board to NS\$617,344 (US\$210,913), nearly triple Humala's salary of NS\$224,000. Humala said the increase tarnished the image of the central bank, which is predicting the worst economic slowdown in Peru for five years in 2014.

develop a 500KW electricity interconnection project along the border to improve energy integration, and promised to improve security cooperation to crack down on illegal drugs, arms and people trafficking, contraband smuggling and illegal mining groups.

Humala, in particular, focused on the need to increase bilateral trade: Peru's central bank (BCRP) recently estimated that Peru would post a trade deficit of US\$3bn this year, compared with just US\$40m last year [WR-14-42]. Correa, meanwhile, singled out the binational Puyango-Tumbes project as an area which required fresh impetus. This project aims to irrigate 22,000 hectares (ha) of land in Ecuador and 18,500ha in Peru along the shared border, for the production and export of food products, by constructing two dams at an estimated cost of US\$296m. It remains on the drawing board, however, 43 years after the two countries signed an agreement to carry it out, due to what Correa described as "difficulties with local companies".

In an open letter days before the binational cabinet meeting, Peru's former president Alan García (1985-1990; 2006-2011) blamed President Humala for the lack of progress on the project, arguing that he had signed a contract with President Correa back in 2010. However, Eduardo Garibotto from Peru's coordinating office for the project told the local press that the comptroller general's office had found irregularities with the contract signed between the García administration and Consorcio Fronterizo, the company undertaking the feasibility study. When the company presented this study in February 2013, only 80% complete, it contained more than 586 problems or observations which, Garibotto said, demonstrated the company's unsuitability for a project of this scale.

TRACKING TRENDS

COLOMBIA-PERU | Top of the class for doing business. On 28 October the World Bank (WB) released the latest edition of its annual Doing Business Report, *Doing Business 2015: going beyond efficiency*, which ranked Colombia (34th overall) as the best country for doing business in Latin America, with Peru (35th) coming a close second.

This is the first time that Colombia has topped the rankings for the region in the report that first began being compiled in 2002 and which outlines the advances made by individual countries, as well as regions, in adopting measures to eliminate obstacles to corporate activity and to strengthen legal institutions. The top spot in the Doing Business ranking for the region is traditionally held by Chile. But this year Chile managed to fall from 39th to 41st, taking it to fourth place in the region behind Mexico (39th).

According to the report, over the last few years Colombia has spearheaded the adoption of business-friendly reforms in the region, implementing a total of 29 since 2005; and this has allowed the country to climb 19 places in the ranking of 189 countries during this period to reach its current spot. The report highlights that the most significant reforms adopted by Colombia include those to improve access to credit (the country went from being ranked 55th in this area in 2005 to 2nd this year), reinforced by the passing of a law on secured transactions, and the simplifying of property registration procedures; measures that Peru has also adopted. In addition, the WB pointed out that Colombia is now not only one of the leading investment destinations in Latin America but also boasts a sustainable economic growth model, which should allow it to maintain its leading position in the region in the near future.

Meanwhile, the director of the WB's International Finance Corporation (IFC)'s global indicators group, Augusto López-Claros, stressed just how far the two Andean countries have progressed over the last decade, pointing out that "in Peru, 10 years ago one business owner would have taken more than 33 days to register the transfer of a single property, whereas now it only takes 6.5 days: less time than in the US where 15 days are required. Similarly in Colombia, the importation of key foreign goods would have taken 48 days a decade ago, where now it only takes 13 days".

Dealing with the PMDB

Back in June this year, at its national convention, the Partido Movimento Democrático Brasileiro (PMDB) voted in favour of supporting President Dilma Rousseff's candidacy in the presidential elections. But the support was less than overwhelming: 59% voted in favour of the alliance with the ruling Partido dos Trabalhadores (PT), while 41% voted against. In 2010, 85% of the PMDB supported the agreement. With signs of discontent emerging just days after Rousseff's re-election, her PMDB vice-president, Michel Temer, felt obliged to reiterate the party's pledge of allegiance to the PT on 4 November.

Nothing lasts forever

Just a day earlier, Eduardo Cunha, the president of the PMDB gave an interview with the Brazilian edition of the Spanish newspaper *El País* in which he set out his plans to seek the presidency of congress. Cunha's bid, approved by the party's bigwigs, effectively scraps the deal in place between the PMDB and the PT since 2007: that the parties take turns to hold the position. According to that deal, the next president of congress, due to be elected in February 2015, should be from the PT. Cunha argued that the agreement was not "eternal".

Whether Cunha's bid has much of a chance is open to debate. Both President Rousseff and Temer reportedly despise him, and he has made little secret of his opposition to much government policy. However, as a staunch conservative, in a new congress that has a much more conservative hue, he stands a decent chance. The congress that sits next year will be more fragmented than ever before, with 28 parties, up from 22 in 2010. Cunha argued that the PT was "too ideological" to command the support of such a disparate group of legislators.

The PT is now considering who to put forward as its candidate, though some are considering backing a government supporter from another party, to undermine Cunha's argument. In public, however, they have been careful not to criticise Cunha's moves, in order to avoid giving him further ammunition. If the PT's allies from smaller parties stay loyal, along with the rump of the PMDB, it will easily have the majority required to govern, some 257 deputies. However, changing the constitution will need the support of at least 308 deputies. Rousseff's plans for political reform may come to nothing if Cunha is able to peel away a large enough amount of support.

New groupings

In order to neutralise the oppositionist tendency within the PMDB, the PT and its closest allies are working on ways to limit their dependency. Despite both parties losing seats this year, the PT remains the largest party in congress, followed by the PMDB. Cid Gomes, the governor of the north-eastern state of Ceará, has suggested the formation of a new left-wing party or congressional bloc that would incorporate the smaller parties supportive of the PT, such as the Partido Republicano da Ordem Social (Pros), the Partido Comunista do Brasil (PCdoB) and the Partido Democrático Trabalhista (PDT).

Speaking after a meeting with the president, Gomes argued that his plan "would ensure governability and reduce the opportunity for blackmail". Though he refused to be drawn on Rousseff's response to the idea, Gomes has repeatedly argued that the president faces a very difficult year in 2015, as she will have to take a number of unpopular measures to balance the books all the while dealing with a recalcitrant congress.

Temer responds

Responding to Gomes, Temer insisted that the PMDB would give its full backing to Rousseff in her second term. "The PMDB gave absolute govern-

States' debts

On 5 November the Brazilian senate voted unanimously to reduce the debts the states owe the union. States have argued that they have been prevented from investing in infrastructure projects because they have been hamstrung by rules governing the debts they incur from the federal government. In one example, Rio Grande do Sul borrowed R\$9.8bn from the union in 1998; it has paid back around R\$16.8bn but still owes the federal government R\$44.3bn.

Possible power cuts

The energy production regulator, Operador Nacional do Sistema Elétrico (ONS), has warned distributors and generators that selective power cuts might be necessary in order to guarantee supply at peak times during January and February, when there is a sharp increase in energy consumption. These cuts would affect large urban centres in the south-east region, such as Rio de Janeiro, São Paulo, Campinas, Belo Horizonte and Vitória. These measures might be necessary if the rain is not sufficient to raise the level of the reservoirs to 30% capacity by January. Currently, capacity stands at 18.27%. Last year, at this time, it was 41.62%.

ability to President Dilma. [...] There is no project that has not been supported and approved without the political force of the PMDB. The PMDB will continue to give this support to the government. It is worth noting that we are not just allies, like Governor Cid Gomes, but actually a part of the government," he said.

BRAZIL | POLITICS

Neves returns to senate vowing tireless opposition

Although he lost the presidential election, his better-than-expected performance has put Aécio Neves in a strong position to be the unofficial leader of Brazil's opposition. The candidate of the right-of-centre opposition Partido da Social Democracia Brasileira (PSDB) returned to the senate on 5 November to lay out his conditions for engaging in the "dialogue" President Dilma Rousseff promised following her victory. Chief among his demands is proper scrutiny of Petrobras, the state-dominated oil company.

In his 30-minute speech, Neves said that he would provide "indefatigable opposition in the defence of the interests of Brazilians". He called for both "deeper investigations" and "exemplary punishments" of those found guilty of involvement in the scheme to extract bribes from Petrobras suppliers which were recycled into donations to political parties. The *petrolão*, as the opposition likes to call the scheme, with its nod towards the *mensalão* scandal that hampered so much of former president Lula da Silva's second term (2007-2011), is likely to poison relations between the government and the opposition, even if, as it appears, parties from across the political spectrum benefited from the scheme.

Though the immediate pressure of the investigation into Petrobras is now off, given that the elections are over, Neves and his allies will want to ensure it does not drop off the agenda. At the beginning of her first term of office, President Rousseff demonstrated a willingness to fire ministers accused of corruption, despite the warnings of Lula. She may be forced to employ a similar ruthlessness in her second term, particularly if she is to have any hope of opposition cooperation over political reform.

The mixed congressional inquiry into Petrobras will begin again on 11 November, when the head of the national petroleum agency and the manager of Petrobras contracts are due to give evidence. From then on the inquiry will start to pick up pace, holding two evidence sessions a week from 17 November until the final deposition on 10 December.

Even before he returned to the political arena, Neves had once again condemned the baseness of the PT's election campaign. One of his demands on returning to the senate was that Bolsa Família, the successful conditional cash transfer scheme, be made State policy. During the elections, the PT claimed that the benefit, which goes to some 25% of the Brazilian population, would be at risk if Neves won. The defeated PSDB candidate also said that the PT had been "intolerant of criticism" over its 12 years in power.

Humberto Costa, leader of the PT in the senate, responded that the government was ready for "good combat, the combat of ideas", but said that Neves seemed to have difficulty understanding he had lost the election. Costa added that the investigations into Petrobras were already underway and that the PSDB had also benefited from the bribery scheme.

Road to 2018

With the 50m votes he won this year, Neves became the PSDB's best-performing candidate since its two-time former president Fernando Henrique Cardoso (1995-2003). As such he is likely to be in contention for the party's nomination in 2018, but to do so he will have to make his presence felt in the senate, and distinguish himself from two other PSDB bigwigs, José

Petrobras

Petrobras faces continued scrutiny, both in Brazil and abroad, over allegations of corruption and mismanagement. As its shares are traded on the New York Stock Exchange, the accountancy firm Price Waterhouse Coopers has demanded deeper investigations into the political bribery scheme operating at the firm in order to comply with the US Securities Exchange Act. Sérgio Machado, the president of Transpetro, a subsidiary of Petrobras, is expected to lose his job following evidence that he was involved in the scheme.

Serra and Tasso Jereissati. Neves's most likely rival in the next election will be Geraldo Alckmin, the governor of São Paulo who won in the first round this year, despite the water crisis facing the state.

On the PT side, Lula has already indicated to his aides that he would like to stand in 2018. His omnipresence in the PT campaign shows that he remains a potent electoral force, but he will be 73 in four years' time and his health may count against him. Another possible PT candidate could be Fernando Pimentel, the newly-elected governor of Minas Gerais. Winning in Neves's home state in the first round was no small achievement and has marked him out as a rising star in the PT.

BRAZIL | ECONOMY

Tough decisions expected in second term

"Not yet," replied President Dilma Rousseff when asked whether she had decided on a new finance minister by journalists at the presidential palace on 5 November. Aloizio Mercadante, the cabinet chief, and one of those tipped for the post, was more forthcoming, indicating that a decision will be made "soon". Most likely it will come before the G-20 meeting in Australia on 15 and 16 November. Whoever is chosen, tough decisions will have to be taken to restore the flagging health of Brazil's economy.

On 30 October the monetary policy committee of the central bank, Copom, surprised everyone by voting five to three in favour of an increase in interest rates. All the analysts consulted by *Bloomberg* before the meeting predicted that rates would remain at 11%. In fact, Copom decided to raise the Selic benchmark interest rate by twenty-five basis points, noting that the balance of inflation risks had become less favourable since its last meeting in September. Inflation for that month was 6.75%, above the government's target of 4% plus or minus 2%.

Investors welcomed the decision as a sign the government is willing to take tough decisions to reign in inflation. But pressure on prices is increasing elsewhere. On 4 November, the outgoing finance minister, Guido Mantega, gave the green light to Petrobras, the state-controlled oil company, to increase gasoline and diesel prices. Though the company had been pushing for an 8% increase, sources at the finance ministry have indicated the final figure is likely to be closer to 5%. Still, it will be the first rise in fuel prices since November 2013.

One of the more controversial features of Rousseff's first term was to oblige Petrobras to import refined petroleum and sell it at a loss to offset the inflationary pressures generated by her attempts to bring interest rates down. Over the past four years, it is estimated that Petrobras has lost around US\$60bn through selling fuel at state-mandated prices. Over the past five years, Petrobras's net debt has grown 237%, from US\$71.5bn to US\$241.3bn.

Now that global oil prices are falling, Petrobras has an opportunity to recoup some of those losses. Though the health of Petrobras's finances are clearly important in the long-term, in the short-term consumers already struggling with the rising cost of living will resent the rise. That resentment is likely to be compounded by rises in the cost of electricity. Mantega said at the end of September that consumers are likely to face higher electricity tariffs to finance the subsidies for Brazil's struggling power distributors.

Other problems are also looming. Unemployment remains around the historical low of 5%, but some argue it has nowhere to go but up. Until recently the lack of job creation was not leading to increased unemployment because the labour market participation rate was falling, driven by younger people staying in education. Unemployment has risen slightly over the past two months and this trend is expected to continue throughout 2015.

Fernández hospitalised

On 2 November President Cristina Fernández checked into a Buenos Aires clinic after falling ill with a bacterial infection of the colon. The presidential spokesman, Alfredo Scoccimarro, said that she was in a stable condition and was taking antibiotics. The hospital visit forced Fernández to cancel a meeting with Chile's President Michelle Bachelet on 3 November. Fernández, who is 61 years old, had an operation last year to remove blood that pooled on her brain.

Fiscal deficit

Brazil is now almost certain to end 2014 with its first annual primary deficit in nearly two decades. At the end of October, the government published data showing Brazil's largest monthly deficit since records began (in 2001) for September. Tony Volpon, an economist with Nomura bank, headlined his note on the deficit, 'Fiscal Meltdown'. "The bad fiscal news does not stop at the federal government level," he wrote. States and municipalities also revealed worse than expected deficits, contributing to the overall negative scenario.

Standard & Poor's cited the country's fiscal deterioration when it downgraded Brazil to the lowest investment grade rating in March 2013. Without significant increases in taxes, cuts in spending, or short-term growth, Brazil will face a threat to its investment grade status, causing loan costs to rise and making debt more costly to finance.

ARGENTINA | POLITICS & ECONOMY

Government denounces rumours of debt negotiations

"At the end of the year, when the instruments the vulture funds have used for extortion disappear, there will be better possibilities for dialogue," the economy minister, Axel Kicillof, said to the Mexican newspaper *La Jornada* on 3 November. A day later, the minister vehemently rejected the interpretation that the government would negotiate with its holdout creditors in 2015. "Pure lies," he said. Analysts from the investment bank Credit Suisse recently met with both the government and opposition figures. In a note to clients, the bank concluded that "the government is likely to negotiate with holdout creditors in early 2015".

Holdouts

Most understood Kicillof's original comment as a reference to the expiry of the Rights-Upon-Future-Offers (RUFO) clause in Argentina's debt restructuring agreement. Until 31 December this year, if Argentina offers its holdout creditors a better offer, it risks being overwhelmed with demands for equal treatment from its exchange creditors, those who have already accepted a significant write-down in the value of their bonds. Once that clause expires, in 2015, Argentina will be able to negotiate with the "vulture funds", who own around seven percent of its debts, without fear of repercussions from its remaining creditors.

Among the holdouts, NML Capital and Aurelius Capital Management have led the case against Argentina. In June this year, US District Court Judge Thomas Griesa appointed a mediator, known by the legal term of 'Special Master', to attempt to break the deadlock between the two sides. Daniel Pollack succeeded in bringing the Argentine government and representatives from the two hedge funds together for a face-to-face meeting, but talks quickly broke down.

Argentina blamed Griesa and Pollack, arguing that negotiators required the participation of all of the holdouts, not just NML and Aurelius. On 3 November, Griesa issued a court order allowing Pollack to call other holders of the unstructured bonds to join the discussions. Lawyers for the exchange bondholders said Griesa's move could force Argentina to offer bigger payments to the holdouts, but it could also ensure that the matter is resolved more speedily.

Exchange bondholders

There are dangers for Argentina attempting to kick the can down the road indefinitely. At the moment, Argentina is not paying any of the creditors

Marijuana

Paraguay is the largest producer of marijuana in South America, much of which is smuggled to Brazil. When Uruguay became the first country in the world to legalise the cultivation, distribution, sale and consumption of marijuana last year, some supporters of the new law cited the rise in marijuana cultivation and trafficking in Paraguay as the negative example they were seeking to avoid. Paraguay's President Horacio Cartes is not about to advocate following Uruguay's lead though, having dismissed the move to legalise the drug as "utopian".

anything. A Griesa court order has blocked US banks from dispersing Argentine government deposits to exchange bondholders until it has resolved its dispute with the holdouts. The bondholders who accepted the 2005 and 2010 debt writedowns are not accepting this state of affairs quietly.

On 30 October the grace period for payment of the interest on Argentina's Par bonds expired, with no payment delivered to creditors. According to a Bloomberg report, Owl Creek, one of Argentina's exchange bondholders, is now discussing how to accelerate the repayment of its Par bonds due to mature in 2038. Owl Creek could seek a restructuring as early as January 2015. With the grace period on the Par bonds now expired, any group with at least 25% of the US\$5.4bn of dollar-dominated debt has the right to seek acceleration on payment. The government reacted by suggesting Owl Creek take the matter up with Griesa.

On 3 November, another group of funds, including George Soros's Quantum Partners asked a London judge to ensure payment on a €1.3bn (US\$1.6bn) investment in Argentine bonds, following Griesa's block on payments. The investors are "innocent third parties" in the dispute between Argentina and creditors who are refusing to participate in a restructuring deal, their lawyer said, arguing that the US court orders should not apply to bonds governed by jurisdictions outside of the US. A few days previously, a group of Italian investors lost their bid to retrieve interest payments made by Argentina and held by its original trustee, Bank of New York Mellon.

PARAGUAY | DRUGS

State promises action after high-profile murder

Representatives of the Paraguayan government, judiciary and legislature met on 3 November to discuss measures to combat the influence of drug trafficking in politics. President Horacio Cartes convened the meeting in the presidential palace, two weeks after the high-profile murders of Pablo Medina, an investigative journalist working for the national daily *ABC Color* and his companion, Antonia Almada. Medina is believed to have been killed over his investigations into drug trafficking.

Vilmar Acosta, a mayor from the ruling Asociación Nacional Republicana-Partido Colorado (ANR-PC), is under investigation over the murders, following the discovery of three tonnes of marijuana on his family farm. One of the agreements announced after the meeting in the presidential palace was a commitment by all political parties to bar candidates suspected of involvement with the drug trade, although how this can be achieved legally is open to question.

Another result of the meeting was a commitment to bring all court rulings on drug trafficking to the capital, Asunción. "Judgements in the interior are much more vulnerable [to pressure]," Hugo Velázquez, the president of the chamber of deputies, said.

Paraguay's attorney-general, Javier Díaz Verón, said that he was also examining how to ensure the proceeds from goods impounded during investigations into drug trafficking went immediately to the State. "This is a business, this is a crime, that does not only affect individuals and civil authorities, but also corrupts the very structures of the State," he said.

Medina and Almada were shot on 16 October while travelling by car in the eastern department of Canindeyú, one of the main areas of cultivation of marijuana, near the border with Brazil. The only survivor of the attack, Juana Ruth Almada, sister of Antonia, identified Wilson Acosta, brother of Vilmar, as one of the gunmen.

Argentina loses British Gas dispute

On 3 November the US Supreme Court ruled that Argentina will have to compensate British Gas Group for losses to the tune of US\$185m incurred during the South American country's 2002 financial crisis. One of the emergency economic measures imposed by the Argentine government during the crisis was a freeze on gas prices. British Gas Group successfully argued that Argentina's actions harmed its investment and breached the terms of a 1993 treaty between Argentina and the United Kingdom.

ARGENTINA | Procter & Gamble operations suspended. Argentina's tax agency (Afip), has suspended the tax registration and import/export license of the local operations of US firm Procter & Gamble (P&G), the world's number one producer of household products, following an investigation into alleged tax fraud and capital flight.

Afip accuses P&G, which runs three manufacturing plants and two distribution centres in Argentina, of overcharging on razors and other toiletries by US\$138m in order to funnel money out of the South American country.

Argentina has tight restrictions on foreign currency in an attempt to shore up its central bank (BCRA)'s falling international reserves, down 17% in the past 12 months to US\$28bn.

In September, the government changed the law so that Argentine banks must seek government authorisation for dollar purchases of US\$150,000 or more. Previously, the threshold was US\$300,000.

The punitive measures stop P&G from operating in the local foreign exchange market. "We need to put an end to these sorts of tricks by global companies", complained the head of the Afip, Ricardo Echegaray. "Our main goal is for P&G to repay the central bank the stolen currency as well as the customs sanctions and the income tax that has been evaded", Echegaray added.

Paul Fox, a P&G spokesman, said that the company is working to understand fully the allegations and to resolve them. "We don't pursue aggressive tax/fiscal planning practices as they simply don't produce sustainable results", he said.

In 2006, P&G bowed to pressure from the Argentine government and froze prices of 31 products including shampoos, soaps and cream for at least a year in an effort to help the government combat inflation.

ARGENTINA | Tax accord. Argentina has signed a data-sharing agreement advanced by the Organisation for Economic Cooperation and Development (OECD) to close in on tax evaders. Under the accord, the 50 signatories pledged to exchange data collected by financial institutions automatically.

Most countries in the European Union (EU) as well as Mexico, South Korea and jurisdictions such as Bermuda and the Cayman Islands signed up to the accord.

"By enlisting in this initiative the Argentine national government is demonstrating its determination to be at the forefront of the fight for international tax transparency" the head of Argentina's tax agency (Afip), Ricardo Echegaray, said.

ARGENTINA | New telecoms law. On 29 October the Argentine government sent a new telecommunications bill, 'Argentina Digital', to the federal congress. The current law on telecoms dates from 1972.

The new law will make telecom networks an "essential and strategic public service", which will force infrastructure players to rent capacity on the networks at a rate fixed by the government. The measures are designed to promote competition, as well as a better quality of service and reasonable prices for consumers.

The law bill allows a single operator to offer bundled services, such as landline, mobile, cable TV and the internet. All fixed line phone calls, regardless of distance, will be charged at the same rate.

Net neutrality will also be enshrined in the new law as well as a minimum speed and quality for broadband services.

BRAZIL | Deforestation up. Imazon, an NGO, showed that the deforestation of Brazil's Amazon rainforest had risen 191% in August-September 2014 compared to the same period of 2013; 838km² of forest were destroyed compared with 288km². The most severely affected states were Rondônia, Mato Grosso and Pará.

Brazil's environment ministry refused to comment on the figures; its own statistics covering the same period will not be released until later this month.

Supreme court rejects referendum on energy reform

Mexico's supreme court (SCJN) ruled on 30 October that it was unconstitutional for a referendum to be held on the country's seminal energy reform which opens the way for private investment in the oil industry and ends the 76-year monopoly of the state oil company, *Petróleos Mexicanos* (Pemex). The ruling is a big boost for the government led by President Enrique Peña Nieto, which pushed the reform through the federal congress last year, and a big blow to Mexico's Left, which had presented two separate initiatives, gathering millions of signatures in support of a referendum on the matter.

The SCJN ruled by nine votes to one that the petitions for public consultations presented by the left-wing opposition Partido de la Revolución Democrática (PRD) and the more radical PRD splinter group, *Movimiento Regeneración Nacional* (Morena), established by the PRD's twice former presidential candidate, Andrés Manuel López Obrador, were unconstitutional on the grounds that referendums cannot be held on issues related to the federal government's revenue or spending. The PRD presented 2m signatures in favour of the referendum to the SCJN; Morena, 2.7m signatures.

The PRD had confidently predicted that the prospect of a referendum on the energy reform would deter foreign investors from entering the oil sector. The SCJN ruling removes that cause of uncertainty, and the Peña Nieto government will now approach the first public tenders for private companies to bid on oil blocks due to be held next year with increased confidence.

While the PRD has vowed to fight on, turning to the Inter-American Commission on Human Rights (IACHR) and its sister body the Inter-American Court of Human Rights (CorteIDH) for redress (*see sidebar*), it looks increasingly like a losing battle. This was implicit in the vehement response of PRD politicians to the SCJN ruling. The PRD's historic leader, Cuauhtémoc Cárdenas, who spearheaded the campaign to collect the requisite signatures to hold a referendum to prevent what he describes as the reversal of the nationalisation of the oil industry undertaken by his father, former president Lázaro Cárdenas del Río (1934-1940), slammed the SCJN ruling as "a biased and partisan interpretation". He added that while there was no evidence it looked like the judges had acted "on the government's orders to keep onside with the executive".

Cárdenas's impugning of the independence of the SCJN was mild compared to the reactions of other politicians within his party. "This is a technical coup d'état and a challenge to congress because in practice the justices annulled Article 35 (Section 5 of which states that 'The prerogatives of citizens are: To exercise in all cases the right of petition')", Deputy Miguel Alonso Raya, the coordinator of the PRD in the federal chamber of deputies, said. PRD Senator Alejandro Encinas, meanwhile, said that he did not know of one single vote the SCJN had issued that had gone against the executive.

PRD Senator María de los Dolores Padierna went furthest of all. She insisted that the issue at stake is "our natural resources ... [and] their use for the nation's benefit" and not government income and spending. Taking aim at the judges, Padierna, the deputy party coordinator of the PRD senate bench, said "They disdain the people, they disdain the people's feelings and opinions; from the comfort and indifference of their luxury offices, with their juicy perks, they try to validate something illegal, immoral and illegitimate which is handing over our national riches". Morena's López Obrador struck a similar chord, accusing

PRD fighting on
 Senator Miguel Barbosa, coordinator of the PRD's federal senate bench, refused to accept the SCJN resolution and said that the party would appeal to the CorteIDH to demand that the public's right to be consulted should be respected. Barbosa said it was absurd to dismiss the referendum on the grounds that it would impact government revenue. It would not be difficult to claim that any referendum could potentially affect government revenue.

PRI ruling pending

The supreme court (SCJN) now has to rule whether a referendum sought by the federally ruling Partido Revolucionario Institucional (PRI) – to downsize congress – is constitutional. If the judges give this referendum the nod it will prompt howls of protest from both the Partido de la Revolución Democrática (PRD) and the Partido Acción Nacional (PAN). The two opposition parties argue that the PRI referendum to reduce the size of the federal lower chamber from 500 deputies to 400 and the federal senate from 128 senators to 96 is blatantly anti-democratic and would conspire against political pluralism. The proposal would do away with the 32 candidates elected to the senate by proportional representation (PR) and reduce those elected to the lower chamber by PR from 200 to 100.

the judges of being “corrupt”. “The supreme court justices violated the constitution”, López Obrador said “denying the people of Mexico their right to decide, for now, on the sovereign management of energy resources”.

PAN suffers similar setback

A day earlier, on 29 October, the SCJN ruled by six votes to four against a petition by the right-of-centre opposition Partido Acción Nacional (PAN) for a referendum on increasing the national minimum wage. It rejected this referendum on the same grounds - that State finances would be affected. The acting president of the PAN, Ricardo Anaya, accepted the ruling with more grace than the PRD politicians, *tweeting* his disagreement but also his respect for Mexico’s institutions. The PRD would argue, however, that the PAN’s proposed referendum was pure electoral demagoguery ahead of the elections to renew the 500 seats in the federal lower chamber, and assorted gubernatorial, state congressional and municipal elections in 17 of the country’s 32 federal entities next June.

Peña Nieto promises reforms

President Enrique Peña Nieto promised this week to undertake “in-depth changes” to ensure that the events in Iguala in the state of Guerrero on 26 September, when six people were killed and 43 training teachers ‘disappeared’, are “never again repeated”. Peña Nieto called on all political parties and civil society to join his government in coming up with proposals “to strengthen our institutions and, above all, to ensure the rule of law is in full force in our country”.

The fugitive mayor of Iguala, José Luis Abarca, and his wife, María de los Ángeles Pineda Villa, were arrested on 4 November after the federal police raided an abandoned house in Iztapalapa, a borough in Mexico City. They were taken to the federal attorney general’s office for questioning.

TRACKING TRENDS

MEXICO | High-speed train. Mexico’s communications & transport ministry (SCT) announced on 3 November that the Chinese consortium, China Railway Construction Company (CRCC), had been awarded the M\$50.8bn (US\$3.73bn) concession to build, in association with four Mexican firms, the country’s (and the region’s) first high-speed passenger train. The Mexican government estimates that the 210km project, linking Mexico City to the central state of Querétaro, will be concluded by 2017.

A statement from the ministry explained that although 16 firms, including Japan’s Mitsubishi and Germany’s Siemens, expressed an interest in bidding for the concession only the winning consortium submitted a bid by the 15 October deadline. However, the communications & transport minister, Gerardo Ruiz Esparza, said that the low level of participation in the tender was understandable given that “there are very few firms that manufacture high-speed trains; and such tenders only have an average of two bidders”. The fact that CRCC’s bid included an offer for China to finance 85% of the project through the Export-Import Bank of China could explain why the Chinese consortium was the only one to submit a bid, amid speculation that other potential bidders were discouraged knowing that they would not be provided such financing. The SCT also said that the French firm, Systra, a subsidiary of the state-owned SNCF, will be involved in providing service operations to ensure that these meet the highest international standards.

The project is part of President Enrique Peña Nieto’s drive to revive rail transportation in Mexico, which practically disappeared more than a decade ago after the service was fully privatised in 1997. Today Mexico’s rail network is mostly used for freight transport with just two minor passenger lines, one linking Chihuahua and Sinaloa states and another tourism line in the state of Jalisco, currently in service. With the new trains capable of reaching speeds of 300km/h, the link is expected to slash journey times between Mexico City and Querétaro, one of Mexico’s industrial hubs, from two and a half hours to just 58 minutes; and the SCT has said that the line will carry some 23,000 people a day once it is completed.

Boosting development to ease child migrant concerns

Thomas Shannon, the US Counselor of the Department of State, carried out a mini-tour of the three 'Northern Triangle' countries of Guatemala, El Salvador, and Honduras between 3 and 5 November. Shannon met Presidents Otto Pérez Molina, Salvador Sánchez Cerén and Juan Orlando Hernández respectively, as well as private sector representatives in each of the three countries, to discuss security, governance, and economic prosperity.

Shannon's visit was designed to pick up from US President Barack Obama's meeting with Presidents Pérez Molina, Sánchez Cerén and Hernández in Washington on 25 July and to prepare the way for US Vice-President Joe Biden's participation, along with the three heads of state, in an important conference hosted by the Inter-American Development Bank (IDB) on 14 November focusing on overcoming obstacles to growth and development in the Northern Triangle. The four men will then hold a private meeting the following day. The subtext of Shannon's visit and the conference is to avoid a repeat of the child migrant crisis, which occurred between March and June this year, by seeking to address the factors that originally drove these children to flee their home countries.

Shannon discussed solutions to the challenges of development and how to attract private investment to the region to overcome bottlenecks in infrastructure impeding growth, especially in the energy sector. The IDB conference, 'Investing in Central America: Creating Opportunities for Growth', chaired by the president of the IDB, Luis Alberto Moreno, will cover these topics in detail, as well as issues such as the provision of economic and social opportunities to retain human capital and reduce emigration; job creation and training programmes to provide opportunities for the young; good practice to strengthen the confidence of investors, such as improving transparency in the financial sector; greater transparency and accountability in the public and private sector; and strengthening judicial and public security institutions.

While Shannon was in Guatemala, the US Assistant Secretary of State for International Narcotics and Law Enforcement Affairs, William Brownfield, was in Tegucigalpa meeting President Hernández to discuss security cooperation and how to tackle corruption. The Honduran minister of the presidency, Reinaldo Sánchez, said Brownfield had praised Hernández for recently signing an accord with the Berlin-based NGO Transparency International (TI) aimed at institutionalising transparency, accountability and fighting corruption [WR-14-41].

During his visit to Honduras on 5 November, Shannon said the US would give a big push to improve security and development in the Northern Triangle. He also applauded the 'Plan of the Alliance for Prosperity (PAP)', a proposal recently put together by the three countries to address the lack of opportunity and insecurity in the Northern Triangle, which needs US financial support for implementation. In a brief interview with the Salvadorean daily *La Prensa Gráfica* a day earlier, Shannon said the IDB conference would not discuss funds per se but the US would participate in this aspect of the plan at the right moment. On 26 September the US think-tank Washington Office on Latin America (Wola) argued that the US had, on recent estimates, spent "over US\$9bn during the Central American conflicts of the 1980s", while assistance in recent years for development, governance, and law enforcement had amounted to "well under US\$200m per year".

Child migrants

As Thomas Shannon started his tour, the deputy minister for Salvadoreans abroad, Liduvina Margarín, underscored the urgency of addressing the child migrant crisis by pointing out that at least 600 Salvadorean minors who entered the US without identity documents are still being detained in that country and are yet to go before a judge to find out if they can remain there or face deportation. Margarín said this figure fluctuated but had stayed steady now for several months. She added that the flow of child migrants to the US from Central America had slowed but not stopped.

FATF delists Cuba

The FATF said it welcomed Cuba's "significant progress" in improving its anti-money-laundering and anti-terrorist finance (AML/CFT) regime: "Cuba has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in February 2013. Cuba is therefore no longer subject to the FATF's monitoring process under its on-going global AML/CFT compliance process. Cuba will work with GAFISUD [the Financial Action Task Force of South America] to further strengthen its AML/CFT regime."

CUBA | Massive investment needed. At the 32nd Havana International Fair this week, Cuba's minister for foreign trade, Rodrigo Malmierca Díaz, announced a list of 246 potential projects requiring an estimated US\$8.6bn in investment. The Cuban government is seeking to push up foreign direct investment (FDI) to US\$2bn a year in a bid to stimulate economic growth which, despite four years of tentative reforms, remains stagnant, with annual GDP growth of no more than 1.0% expected this year.

According to a 5 November report in the daily *Granma*, the government will shortly give the go-ahead to the first investment projects in the new Port of Mariel special development zone (ZEDM). The director-general of the ZEDM office, Ana Teresa Igarza, was quoted as saying that the first projects would be in sectors including biotechnology, construction, food-processing, light industry, logistics and renewable energy. The ZEDM office was opened a year ago, and a new FDI law was approved in March [WR-14-13]. Some 36 countries have reportedly expressed an interest in the ZEDM, including Brazil, Canada, China, France, Italy, Mexico, The Netherlands, Russia, Spain and Vietnam.

Among the official visitors to Havana was Uruguay's foreign minister, Luis Almagro, who met with the vice-president of the council of ministers, Ricardo Cabrisas, for talks on bilateral trade and cooperation in areas like education, health and sports. Hugo Swire, the UK's Minister of State for the Foreign and Commonwealth Office, was the first minister in 10 years to visit Cuba. Saying he was "proud" that the UK and Cuba were working together on the Ebola crisis, Swire was due to meet the Cuban ministers for talks on foreign relations, trade, health and tourism.

Elsewhere, the Chilean Ambassador to Cuba, Gonzalo Mendoza, announced the visit of a Chilean entrepreneurial delegation in mid November to discuss investment opportunities in mining, agriculture and service industries.

CUBA | FATF delists Cuba. In its latest (October 2014) progress report, the Financial Action Task Force (FATF) removed Cuba from its list of countries being monitored for its compliance with anti-money-laundering and anti-terrorist finance (AML/CFT) rules (*see sidebar*). This is important, as the US State Department has used Cuba's inclusion on the FATF list as justification for leaving the country on its list of states that sponsor terrorism. This hinders Cuba from accessing international finance. Calls for Cuba to be removed from the US list have intensified since Havana's hosting of the Colombian peace talks.

GUATEMALA | Energy agreement with Mexico. On 5 November Guatemala's energy & mining minister, Erick Archila Dehesa, announced that his country had signed a new joint energy infrastructure promotion agreement with Mexico. Archila's announcement followed a meeting that he held with his Mexican counterpart, Pedro Joaquín Coldwell, in Guatemala City on the sidelines of the Mesoamerican energy investment summit.

In a statement, Archila said that the two countries had agreed to "advance priority issues" in the bilateral energy agenda starting with the construction of a 600km binational natural gas pipeline as set out in the framework agreement signed by Guatemala's President Otto Pérez Molina and his Mexican peer, Enrique Peña Nieto, back in April. According to Archila, the two governments have agreed that the US\$800m project will be carried out by a public-private partnership and that it will link Mexico's Pacific port city of Salina Cruz to Guatemala's southern coastal department of Escuintla. He said that the two countries plan to hold a "forum" to promote the project next year to encourage private sector participation.

Archila also said that he and Coldwell had evaluated the results of the start of testing of the permanent electric grid connection between the countries recently set up in Mexico's border town of Tapachula. Archila said that both he and Coldwell were "satisfied" with the results, pointing out that the electricity exchanges will help "guarantee electricity provision 24 hours a day" in the border area. The announcement came after the Mexican government confirmed on 4 November that it had agreed to explore the possibility of building a joint hydroelectric dam with Guatemala on the Usumacinta River separating the two countries. According to the Guatemalan government, this project would have 2,000 megawatts in installed capacity and would be jointly financed by Mexico and Guatemala.

Quotes of the week

“If I were looking for glory, to transcend history, it would be a good time to retire. I took the decision to go on, in difficult times.”

Ecuador's President Rafael Correa.

“Capitalism is the worst sin of humanity [a model which] fosters food and financial crises and doesn't eradicate hunger because of its yearning for earnings.”

Bolivia's President Evo Morales speaking at the headquarters of the United Nations Food and Agriculture Organization (FAO) in Rome.

“They have the right to work, yes, but as bosses [of public entities], no, no, and no, and whoever allows this is betraying the Revolution.”

Venezuela's head of the national assembly, Diosdado Cabello, calls for “saboteurs of the Revolution” to be denounced.

Flores case takes new turn in El Salvador

El Salvador's former president Francisco Flores (1999-2004) was hospitalised in a private clinic in San Salvador on 30 October suffering from thrombosis in his right leg. He has been held in prison since 29 September pending trial on charges of illicit enrichment and embezzlement associated with multi-million dollar loans made to El Salvador by Taiwan. Flores's transfer to hospital coincided with a vote in the legislative assembly calling on the attorney general's office to widen its investigation to embrace the alleged misuse of some of the funds by the main right-wing opposition Alianza Republicana Nacionalista (Arena).

The director of the supreme court's institute of legal medicine (IML), José Miguel Fortín Magaña, said the thrombosis could have been caused by a lack of physical activity since Flores was imprisoned at the national police (PNC)'s anti-narcotics division (DAN). Fortín said “everyone would lose” if Flores died and the government's image abroad would be seriously affected. Both the human rights procurator and the PNC complained that Flores was being given special privileges and should have been treated in a public hospital where it would have been easier to keep him under surveillance.

On the same day as Flores was transferred, the legislative assembly approved a second report drawn up by a special legislative commission set up to investigate the former president with 51 votes out of 84. This includes the crimes of money and asset laundering among the charges levelled at Flores. Crucially, it also calls for a further probe into the misuse of some of the Taiwanese loans by Arena, the party for which Flores was elected. This could be potentially damaging for Arena in the run-up to legislative and municipal elections on 1 March 2015.

On 31 October the supreme electoral tribunal (TSE) officially launched the start of the electoral process. Registration for candidates for the legislative assembly began on 3 November and will conclude on 9 January, with the formal campaign starting on 31 December. An early poll just released by CID-Gallup gave Nayib Bukele, the candidate for mayor of San Salvador for the nationally ruling left-wing Frente Farabundo Martí para la Liberación Nacional (FMLN), a lead of 18 percentage points (43%-25%) over Edwin Zamora, Arena's candidate. Zamora, however, has only just been chosen by Arena to run in place of the party's incumbent mayor, Norman Quijano [WR-14-41].

LATIN AMERICAN WEEKLY REPORT is published weekly (50 issues a year) by **Latin American Newsletters**, 61 Old Street, London EC1V 9HW, England. Telephone +44 (0)20 7251 0012, Fax +44 (0)20 7253 8193 Email: subs@latinnews.com or visit our website at: <http://www.latinnews.com>

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