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Rocky second anniversary for Colombian peace process

Just one week after returning home from a five-day trip to Europe to raise funds to finance post-conflict projects in Colombia, President Juan Manuel Santos suspended the peace process with the Fuerzas Armadas Revolucionarias de Colombia (Farc). He announced his decision to break off talks with the Farc on 16 November, almost two years to the day after they began. He accused the Farc of crossing the line by taking hostage an army general, Rubén Darío Alzate, and two others, and said there would be no resumption of talks until they were released. After three days of uncertainty the Farc revealed that it would free the three and Santos promised to renew the talks as soon as it did so.

President Santos took the decision to suspend the peace process on 16 November after Brigadier General Alzate, Corporal Jorge Rodríguez Contreras and Gloria Urrego, a legal adviser to the army, were abducted by the Farc. Dressed in plainclothes, the three had travelled by boat along the Atrato river to the tiny village of Las Mercedes near Quibdó, the capital of the north-western department of Chocó. The purpose of the trip is not clear but Alzate's wife told the media two days later that he had informed her by phone hours before he was taken that he was about to depart to coordinate a social programme on which he was working.

Santos's initial reaction was to fume on Twitter at the defence ministry that General Alzate had ventured deep into a "red zone" of heavy guerrilla activity in contravention of security protocols. Normal procedure would require the area to be scouted out in advance of any trip of this sort and for Alzate to be accompanied by an armed escort. As commander of the Titán joint task force in the area, nobody would have been better briefed than Alzate about the presence of guerrillas on the ground. Santos's Twitter response underscored his fury that such a foolhardy trip had been conducted by someone who should have known better, and perhaps his frustration that it would leave him with little choice but to take drastic action. This he did, after an emergency meeting with the military high command, appearing on television to inform the public that the Farc had forced his hand by carrying out an "unacceptable kidnapping".

The following day Santos stressed that although the negotiations were taking place in the midst of the conflict, the Farc had to understand that "increasing violent actions and undermining confidence" was "unacceptable". On 5 November two members of the indigenous guard in the southern department of Cauca were shot dead by Farc guerrillas; four days later two soldiers were taken hostage after an attack on an army column in the eastern department of Arauca. Santos also demanded their release. He said it was time for the Farc to "demonstrate its commitment to the process [...] with actions and not just words". Pre-empting the customary Farc reaction to call for a bilateral

Hostage release

Having invested so much time and effort in the peace process, not to mention staking his political legacy on bringing an end to the 50-year-old armed conflict, President Santos was always going to be reluctant to abandon it. The time that elapses between now and the release of the hostages will be tense though. For one thing it is not yet clear whether Santos has called off a massive rescue operation. He has dispatched his defence minister, Juan Carlos Pinzón, and a significant part of the military top brass to Quibdó to coordinate the operation. So far, 1,800 military personnel, including special forces, have been sweeping the area.

ceasefire, Santos said “We are talking about ending the war once and for all. This can be achieved by ending the conflict. Not with a simple truce”.

After two days of silence, the Farc gave three responses within three hours on 18 November. Firstly the Farc negotiating team in Cuba claimed to have no information pertaining to the abductions in Chocó. Then the ‘Bloque Iván Ríos’, which operates in the area, released a communiqué on the Farc website. “The three were taken because they are enemy military personnel, carrying out their duties in a war zone,” it said. Then ‘Pablo Catatumbo’ (Jorge Torres Victoria), a member of the Farc secretariat on the negotiating team, gave another press conference in which he confirmed that the Farc 34th front, part of the ‘Bloque Iván Ríos’, had taken the three in “a normal act of war”.

“We have to suspend the war not the peace process,” Catatumbo said, reiterating the longstanding Farc demand for a bilateral ceasefire, without which, he said, “what the President calls rules of the game cannot just apply for the State forces”. He also called on the government to clarify what Alzate was doing in Las Mercedes “in breach of all security protocols”. ‘Pastor Alape’ (Felix Antonio Muñoz Lascarro), also on the Farc secretariat, said during the press conference that “the peace process [...] should not be jeopardised by impetuous decisions”.

Alape, who arrived in Havana in late October to sit on a sub-commission with members of the armed forces to discuss the logistics of guerrilla disarmament and an eventual ceasefire, also reminded the government that it had agreed with the Farc that the unfolding conflict in the country should not influence the talks: “What happens in Colombia should be resolved in Colombia”. The leader of the Farc negotiating team, ‘Iván Márquez’ (Luciano Marín Arango) tweeted on 19 November: “Government ordered intensification of war, which implies POW by both parts. So why did they suspend peace talks now?” Why, to quote Santos, was this particular incident “unacceptable”?

Santos focused on the fact that the government could not accept kidnapping: the Farc had agreed to renounce the practice of kidnapping civilians for ransom, but made it clear that it saw military personnel captured in combat as fair game; Alzate et al were unarmed and wearing civilian clothing (one of them is a civilian), and were not captured in combat, although they were deep in a combat zone. But there were clearly other factors at play. Alzate is the most high-ranking military figure captured by the Farc in the entire conflict, so this was a major source of embarrassment for the government, and a blow to the prestige of the military. There was also a possible clue in Santos’s comment that while a bilateral ceasefire was out of the question, “this doesn’t mean that in the course of the talks the first steps towards de-escalating the conflict cannot be taken.” There is some speculation in the local press that this is already underway, going some way to explaining why Santos found this incident so intolerable.

Márquez announced in a press conference on 19 November that the decision to release Alzate would be taken by the Farc’s top leader, ‘Timochenko’ (Rodrigo Londoño Echeverri). Later in the day, the Cuban and Norwegian guarantors of the peace process announced that the three hostages in Chocó and the two soldiers in Arauca would be released “as soon as possible”. Márquez again urged the government to rethink its opposition to a bilateral ceasefire to prevent a recurrence of similar incidents in the future.

Speaking in Ataco in the central department of Tolima earlier in the day, Santos, perhaps aware a deal was in the offing, had struck a more emollient tone, calling for the need “to continue negotiations to end this absurd war”. After hearing that the five captives would be released, he promptly announced that the talks would resume as soon as they returned to safety. The Farc’s gesture should put the talks back on track relatively quickly, although past experience suggests it could take some time for the handover of the hostages to take place. It also shows that the Farc leadership still exercises control over the guerrilla ‘fronts’.

Enabling the Socialist productive offensive

On 18 November, a day before the decree powers granted to him 12 months ago by Venezuela's national assembly expired, President Nicolás Maduro rushed through a package of 28 economic measures, under the banner of the 'Socialist productive offensive for 2015'.

This latest package, for all its ambitious name, looks like an urgent effort to boost fiscal revenues, by way of increases in income tax for higher earners; higher duties on luxury goods, alcoholic drinks and tobacco; and the elimination of loopholes for the corporate sector, including foreign companies.

Among the measures is an increase in the tax on luxury items like yachts, private jets, expensive cars and high-value properties to 27%, up from the current 12%. Income tax (ISLR) rates will be increased at the top end (exact details of which remain pending), while regulations for the corporate sector will be tightened to close loopholes like an 'inflation adjustment' on final earnings that the government says allows banks and insurance companies to avoid tax altogether in some cases. The tax code for resident foreign companies will also be amended to include higher sanctions (to the tune of 200%) for missing payment deadlines, for example.

Elsewhere, a change to the cigarette tax law will oblige tobacco manufacturers to stump up their fiscal obligations as soon as goods leave the factory, with the customary 30-day grace period eliminated. Under the alcohol tax law, duties on wine may be lifted to 35%, from a current 15%, while levies on other alcoholic drinks may go up to 50%, from 20% currently. A 90-day tax payment grace period for alcoholic drinks importers may also be eliminated, according to Industries Minister José David Cabello.

The package includes some measures aimed at boosting private investment, including reforms to the foreign investment law and the monopolies law. This seems to be an acknowledgement that some private capital and know-how is required to get the crippled economy back on its feet. Yet even so, given the plethora of business-unfriendly rules now in place in Venezuela (led by the tight price and exchange rate controls), investors outside of the lucrative oil sector may think twice about putting money into the country. Maduro hinted, for example, that the reforms to the monopolies law could be used to prevent the 'dominance' of some private sector players, which might make some companies wince; while under the law of fair prices, authorities henceforth can confiscate goods immediately from suppliers found to be in breach of the law (and who have received official dollars for import purposes).

Meanwhile, another law strengthens the state monopoly on the gold mining sector, while the 'integral regionalisation law for the socio-productive development of the homeland' envisages the creation of 'special economic development zones, 'economic development motor districts' and 'integral development zones', three levels "expressed on a regional scale, but also expressed by specialisation", according to Maduro. These regional development hubs echo the late president Hugo Chávez's last plan of government (2013-2018), which sought to finalise the transition to a Socialist and largely centrally-planned economy.

Ahead of the legislative elections due late next year, the Maduro administration appears unwilling to contemplate the big fiscal reforms – like an end to the extraordinarily generous fuel subsidies (worth US\$12bn-US\$15bn a year) – that would really transform the fiscal position and help reduce the State's heavy reliance on the oil export sector (which generates around 40% of fiscal

Chinese loan

A US\$4.0bn Chinese loan will be placed directly into central bank (BCV) reserves, which hit an 11-year low of US\$19.4bn on 14 November (of which only a third are liquid), President Maduro announced.

He added that the government was working on "other things" to further replenish BCV reserves, without elaborating.

Separately, the BCV said that US\$2.0bn had been added to reserves, which should calm market jitters about the country's ability to meet an external debt crunch in the next two years.

Too efficient?

Amidst the furore about labour code reforms, President Correa has been embarrassed by revelations surrounding an 'efficiency' bonus paid to civil servants. He himself received the top bonus, US\$8,349.82, for the second half of 2013, despite decreeing a salary freeze for himself and senior government officials in April last year. While insisting that he had not noticed the payment (the president officially makes US\$6,957 a month), he said that he and other top officials would have to pay back the money and that the labour ministry would have to design a different model for incentives.

revenues). For now, the government can continue to finance its double-digit fiscal deficit (estimated at 16% of GDP in the draft 2015 budget) by monetising the deficit, while also taking advantage of dirt-cheap domestic credit (amid strongly negative real interest rates). This, of course, is highly inflationary (Maduro also authorised his previously announced 15% increase in the minimum wage, as of 1 December), but the finance minister, Rodolfo Marco Torres, remains adamant that a devaluation, which could eliminate the deficit at a stroke, is not on the cards: typically, Venezuela devalues in January, when everyone is on summer holidays.

And last but not least, corruption

President Maduro also made use of the final day of his decree powers to push through a round of reforms aimed at tackling public sector corruption and insecurity. The package includes reforms to the anti-corruption law; the law on public contracting; and the organic law of national security.

The anti-corruption law will be strengthened with new measures against transnational bribery, which Maduro said was an increasing threat to the State and public officials, while acts against public patrimony will no longer be proscribed under the law, meaning that corrupt officials and ex-officials can face retroactive trials.

A new national anti-corruption body, to be appointed by the President and directly answerable to him, will seek to eliminate public sector corruption, including by instilling 'civic' ethics and working to strengthen public institutions.

On the security front, a new Sistema Popular de Defensa de la Paz y de la Integridad de la Patria, under the watch of the ever-more-powerful interior minister, Carmen Meléndez, will work to defeat "evil, terrorism and conspiracy".

ECUADOR | POLITICS

Unions dig in their heels

Ecuador's main labour union, the Frente Unitario de Trabajadores (FUT), led fresh protests in six cities on 19 November, just days after President Rafael Correa proposed a mini package of labour reforms. The FUT is convinced Correa is seeking to curtail the unions. He flatly denies that.

Earlier FUT-led protests in September, the biggest in the country in some time, were motivated in part by fears that the government's proposed labour code reform, which President Correa subsequently withdrew, could limit the right to strike. Correa stressed that the right to unionise is specifically noted in his latest proposals, which centre on workplace rights, wage and bonus equality, and the universalisation of social security. There is nothing to suggest a conspiracy against unions in Correa's detailed proposal, freely available at:

<http://www.asambleanacional.gob.ec/sites/default/files/private/asambleanacional/filesasambleanacionalnameuid-18/Of.T6343-SGJ-14-849-sm3.pdf>.

Having managed to get the labour code reform thrown out, however, the FUT has now tacked slightly sideways to say that it does in fact want a reform of the decades-old code, so as to specifically re-assert the right to strike and the right of workers to unionise. The reality behind all of this is that the FUT - and others - are articulating broader discontent with Correa, particularly over the proposal to allow for indefinite presidential re-election. Using deliberately polarising language, Correa dismisses the FUT and other moderate opponents on the Left as radicals and agitators seeking to destabilise the country. Unable to raise their complaints in the national assembly (tightly controlled by the ruling Alianza País), an array of sectors feel they have little option but to take to the streets. Meanwhile the conservative opposition, which is pushing hard for a referendum on indefinite re-election, is trying to take advantage of this dissonance to stir up the political atmosphere in the country.

No respite for Bachelet

President Michelle Bachelet had barely been back in the country for five minutes after taking part in the Asia-Pacific Economic Cooperation (Apec) summit in China before being whisked to a primary school in a Santiago municipality on 13 November to throw her weight behind her government's education reform. The very next day the transport network in Santiago was plunged into chaos as the Metro suffered a massive power failure for the whole working day, the worst since it was first launched 40 years ago. Bachelet was forced to make a public apology for the "tremendous seriousness" of the power cut.

When President Bachelet left for China she was struggling to fend off criticism of her reform agenda in the midst of an economic slowdown, along with accusations from senior figures in the private sector that her government was fostering an anti-business environment [WR-14-45]. When Bachelet returned she immediately set about demonstrating her commitment to the government's education reform by meeting parents, guardians and teachers at a primary school in the Santiago municipality of Pedro Aguirre Cerda.

By attending the closed-door meeting Bachelet was also giving a public show of support to her embattled education minister, Nicolás Eyzaguirre, who took part in the meeting as well. Eyzaguirre has not just been the object of attacks from the opposition but also within the ruling left-wing Nueva Mayoría coalition; Bachelet's former interior minister and cabinet chief during her first administration (2006-2010), Edmundo Pérez Yoma, last week branded him "the origin of all of the problems the government is facing" [WR-14-45].

Open to tweaking education reform

Speaking to reporters after the meeting, Bachelet insisted that her government would make all necessary adjustments to her government's education reform to ensure that it meets public expectations. She extended a personal invitation to members of the public to ask questions about the reform and promised to take on board suggestions for enhancing it.

Bachelet's insistence that she would forge ahead with the education reform in consultation with the public follows intense criticism from the private sector, the right-wing opposition, the Roman Catholic Church and students themselves. The opposition Unión Demócrata Independiente (UDI) and Renovación Nacional (RN) presented a motion in the lower chamber of deputies on 12 November summoning Eyzaguirre to appear before congress on 26 November to face questions about the most controversial elements of the reform: ending for-profit education; modifying the 'copago' (copayment, shared funding of monthly tuition fees); and ending school selection.

UDI Deputy María José Hoffmann said she hoped that Eyzaguirre would be able to reassure parents that the government is "not going to close any schools". She insisted that the opposition was not looking for Eyzaguirre's head but merely to "present doubts which have been raised within the ruling coalition itself".

The visit to the school in Pedro Aguirre Cerda marked the first time that Bachelet has come out in defence of the education reform in a school in this way. This is something which is likely to be repeated in the coming weeks as

Defending education minister

The finance minister, Alberto Arenas, criticised the decision by the opposition to summon the education minister, Nicolás Eyzaguirre, to congress, arguing that it would not help "to improve the reform or the climate of understanding that the country wants". He went on: "What we need is to transform discord into accord which will allow us to advance and grow".

New Metro line
The power failure on the Santiago Metro comes just after President Bachelet announced a US\$4.2bn transport infrastructure plan, including the expansion of public-private partnerships (PPPs) to the Metro system to construct a new line in Santiago. The new line would run parallel to Línea 1, which transports the largest number of passengers per day on the Metro.

Bachelet seeks to allay fears aired by the opposition, and backed by various parent groups, that the reform will inevitably lead to the closure of schools.

Metro mayhem

On 14 November, the following day, Bachelet had to entreat the public's pardon after the State-run Santiago Metro suffered a huge power failure for the entire working day. Three of the main lines collapsed, leaving hundreds of thousands of commuters stranded. The buses were unable to cope with even a minor surge in demand—the creaking Transantiago metropolitan transport system, which links local feeder bus lines and main bus lines to the Metro network, struggles at the best of times—and droves of commuters were left to walk, or jump in taxis.

Bachelet held an emergency meeting in the La Moneda presidential palace, and ordered a thorough investigation into the causes of the power failure. She apologised for the collapse of the Metro and the ensuing chaos, saying that it was sufficiently serious to merit her acceptance of the resignation of the president of the Metro, Aldo González. She named his replacement as Rodrigo Azócar Hidalgo, who held the position between 1997 and 2006.

There were signs that the massive power failure had been coming. There were two incidents in August when battery back-up power was required due to an electric power shortage. The Metro used to be fast and dependable but the continued deficiencies of Transantiago, which was introduced in 2007 during Bachelet's first administration (2006-2010), have prompted more and more commuters to opt for the Metro instead in recent years putting unprecedented strain on the service. An average of 2.5m people currently travel on the Metro daily.

End in sight for binomial system?

There was one better piece of news for President Bachelet upon her return from the Apec summit in Beijing. The senate approved a general bill to reform the binomial electoral system by 28 votes to six with four abstentions, putting the first nail in the coffin of a system introduced during the dictatorship of General Augusto Pinochet (1973-1990). This is the furthest any of the numerous attempts to reform the binomial system has ever got since it was established in 1989. Bachelet described the system earlier this year as “a thorn in the heart of our democracy [which] perpetuates exclusion”.

“This is a historic day,” the minister of the presidency, Ximena Rincón, who attended the senate session, said. “It is historic because senators, in a democratic and republican act, were prepared to change the rules that govern them,” she added. The votes in favour of the reform came from the ruling left-wing Nueva Mayoría coalition, independents and four senators of the opposition Renovación Nacional (RN).

The approved bill would increase the size of the lower chamber of congress from 120 to 155 deputies and the senate from 38 to 50 senators. Under the new system, there would be fewer electoral districts, with many being fused to create 28 macro districts from which at least three and up to a maximum of eight deputies would be elected. For the senate, each of the country's 15 regions would become an electoral district (down from 19 now), with the number of senators elected per region ranging from two to a maximum of seven depending upon population.

Senators from the more remote and sparsely populated regions of the country argued that the proposed changes were unfair as it would leave the metropolitan district of Santiago (which would elect seven senators) over-represented. But the senate agreed to revisit this issue when the particulars of the bill are debated and voted upon by the body.

The bill would also create a quota system limiting the number of candidates of either sex to 60% of the total, thus ensuring a minimum of 40% of party candidates for both chambers would be female (or for that matter male).

Boost over G20 comments on debt restructuring

In its search for validation over its attitude towards the 'vulture funds' that hold vast amounts of Argentine debt, the government has received a boost on the fringes of the G20 summit in Australia. The inclusion of a paragraph on the sovereign debt restructuring process was welcomed by the economy minister, Axel Kicillof, who pointed out that it was the first time in the grouping's history that the issue had been included in the summit's final document.

The communiqué reads: "Given the challenges litigation poses and in order to strengthen the orderliness and predictability of the sovereign debt restructuring process, we welcome the international work on strengthened collective action and pari passu clauses. We call for their inclusion in international sovereign bonds and encourage the international community and private sector to actively promote their use. We ask our Finance Ministers and Central Bank Governors to discuss the progress achieved on this and related issues."

"Our country has helped to change history," the cabinet chief, Jorge Capitanich, said. "Argentina's participation in the G20 summit has been very important. The issue of sovereign debt restructurings has been included in the final communiqué for the first time in history," he went on.

The foreign minister, Héctor Timerman, echoed Capitanich's words, saying that the communiqué was an astounding achievement for Argentina in its longstanding battle with the vulture funds. Timerman will head to New York next week to resume talks on the development of a legal framework to regulate restructuring of foreign sovereign debt.

Although the paragraph is included in the 'issues for further action' section, it is unlikely it will have any impact on Argentina's current debt wrangling. In October, the International Monetary Fund (IMF) urged a rethink of how sovereign bonds should be structured to avoid future debt restructurings turning into a repeat of Argentina's disruptive court battle with a few disgruntled creditors.

The IMF called for more robust so-called collective action clauses, aimed at making restructuring agreements binding on all bondholders, to remove the risk of some investors shunning debt workouts and taking legal action for years to squeeze cash from the debtor. The G20 called for the inclusion of strengthened pari passu and collective action clauses in international sovereign bonds. Last September, at the UN General Assembly, 124 countries voted in favour of Argentina's proposal to create a multilateral legal framework for sovereign debt restructuring processes.

Exchange controls tightened

While the government was lauding its achievement at the G20 on debt restructuring, back at home it was frantically taking further steps to tighten controls over the exchange market and crack down on the black market, in the face of dwindling international reserves.

A decree posted in the official gazette on 17 November announced the creation of a new body to oversee the import and export of goods, services and currency. The remit of this new entity, known as the 'Unidad de Seguimiento y Trazabilidad del Comercio Exterior', will be to coordinate a crackdown across multiple areas of government on any perceived suspicious business activities by firms operating in Argentina. It will also undertake to establish "a tracking and tracing system for foreign trade transactions in order to ensure macroeco-

Jobless

The unemployment rate rose to 7.5% in the third quarter, up by 0.7 of a percentage point on the same period of 2013, the national statistics institute (Indec) reported this week. This equates to some 130,000 jobs.

Underemployment also increased over the same period, by half a percentage point, to 9.2%.

China aid

The central bank (BCRA) received the second instalment of a currency swap deal with China worth US\$500m on 17 November. It has now taken a total of US\$1.3bn in currency swaps from China over the last three weeks in a bid to shore up the country's dwindling international reserves. BCRA issued a statement showing that reserves stood at US\$28.78bn. This is barely half the size of the US\$52bn of reserves in 2011, since when they have steadily declined.

conomic stability." The creation of the new body coincides with the recent raids by tax officials on 71 financial institutions across Argentina, in an operation targeting suspected illegal currency trading [WR-14-45].

The text of the decree argues that the new body is essential given "a systematic growth in foreign trade between 2003 and 2013, reaching approximately US\$150bn in 2011". Lower down, the decree mentions that the tax agency (Afip) had detected "cases of overbilling of imports and underbilling of exports which reduced the amount of taxation paid to the country [...] affecting in this way the quality of life of the Argentine people by means of criminal manoeuvres".

The new body will comprise representatives from the Afip; the central bank (BCRA); the economy ministry (through, in part, the commerce secretary); the national securities commission (CNV); the superintendence of insurance; the financial intelligence unit (UIF), which is the institution responsible for investigating money-laundering; and the office of economic crime and money laundering (Procelac). Under the overarching control of the cabinet chief, Capitanich, the new body will seek to improve coordination between all of the pertinent entities, "involving [all of them] in the process of verifying foreign trade operations".

The president of the BCRA, Alejandro Vanoli, defended the Fernández administration's measures to clamp down on tax evasion and suspected illegal currency trading. Vanoli, who since taking over as president of the BCRA on 1 October has launched a concerted drive in tandem with Kicillof to tighten controls over the exchange market, one of several factors which have led to the peso strengthening against the US dollar on the black market (see sidebar), said that greater financial regulation and oversight was necessary "to prevent bubbles and avoid crisis".

ARGENTINA | POLITICS

Carrió leaves Frente Amplio-Unen

Until this week, the main opposition to a *Kirchnerista* successor to President Cristina Fernández is the Frente Amplio-Unen, an electoral coalition with eight parties and five presidential hopefuls. But, as with all coalitions, Frente Amplio-Unen is proving fractious, and there is still almost a year to go until the general elections. Debate within the grouping coalesces around the benefits of alliances at provincial levels when the parties are running as opponents at the national level.

On 19 November the Unión Cívica Radical (UCR), the backbone of the coalition, announced that it would reject any alliances with other political parties at the national level. The decision prompted the exit of national deputy, Elisa Carrió, a high-profile government opponent, from the coalition. "The decision by the UCR to not make alliances is the best way for Peronism to win the elections", Carrió told reporters. "It is alright for the UCR to do what it thinks. But I do not commit suicide", Carrió added. "I am leaving UNEN". The Chaco province-born legislator, however, did not rule out all possibilities of competing for the presidential seat.

Another legislator from the Frente Amplio-Unen, Fernando Pino Solanas, said that Carrió's decision to leave the centre-left coalition does not mean the end of the alliance. "I am a little surprised, I am just finding out. It is a pity", he said about Carrió's exit. "She [Carrió] is a founder of UNEN, it is a shame that this coalition could not keep the exemplary unity we sought from the beginning", Solanas said in a television interview.

Judges and teachers up the ante ahead of elections

The government of President José Mujica was put on the back foot this week by trade unions representing secondary school teachers and magistrates. On 17 November State secondary school teachers went on a 24-hour strike to protest against aggressive verbal and physical attacks on teachers; the association of Uruguayan magistrates (AMU), meanwhile, decided in an assembly that it would stage a massive march in Montevideo on 26 November unless the government meet its salary demands.

The timing of the strike action by the teachers was far from ideal for the government as Mujica himself has acknowledged that his government has not delivered the reform the education sector needed over the last five years, and the opposition has sought to exploit public disillusionment with the state of education in the country.

But a judicial strike would be much more serious. It has no precedent in Uruguay and, if it goes ahead, it will be just four days before the second round of presidential elections pitting former president Tabaré Vázquez (2005-2010) of the ruling left-wing Frente Amplio (FA) against Luis Alberto Lacalle Pou, of the main opposition Partido Nacional (PN; Blancos). As such, it looks like a calculated threat to extract concessions from the government. Vázquez has a comfortable lead over Lacalle Pou in the opinion polls but nothing can be taken for granted and the FA government will be desperate to avert strike action by magistrates.

Teachers go on strike

The incident involving the two secondary school teachers occurred on 14 November outside the gates of a college in Barros Blancos, located in the department of Canelones, just east of Montevideo. The two teachers were attempting to separate two pupils fighting each other when they were assaulted by adults.

The teachers' union issued a statement saying that it was organising a strike to protest against such incidents, which it argued were becoming more and more common and could not be dissociated from the government's failure to counteract increasing levels of societal violence. It also accused the government of tarnishing the reputation of the profession.

Judicial complaint

The AMU, meanwhile, is demanding retroactive salary increases for its members dating back to 2011, when the government increased the salaries of cabinet ministers in line with that of national senators, ignoring a law requiring a commensurate increase for supreme court judges (SCJ) and concomitant increases for the whole judicial sector, including actuaries and administrative officials. The government refused to meet these increases, and passed a law designed to avoid them, but the SCJ struck this down as unconstitutional.

With the threat of disruptive strike action at such a sensitive time, a mere four days before the presidential run-off, the FA government will be keen to reach a compromise by the deadline of 24 November set by the AMU, but it will try and resist forking out what would amount to an additional US\$60m a year to meet the salary increases demanded by the magistrates.

If the magistrates do decide to go ahead with a threatened strike on 26 November, the labour minister, Julio Bayardi, says he would move to prohibit strike action by the judicial sector because it is an essential service. But this would need to be approved - by the SCJ.

Electoral polls

Tabaré Vázquez has a lead of 13 percentage points over his rival Luis Alberto Lacalle Pou ahead of the presidential run-off on 30 November, according to the latest opinion survey released by the local pollster Equipos. Vázquez has 51% support compared to 38% for Lacalle Pou, with 4% of respondents still undecided and 7% ready to cast blank or spoilt ballots.

'Operation Car Wash' soaks indiscriminately

Over the past week, at least 23 of some of the wealthiest and most powerful businessmen in Brazil have been arrested. So far 85 arrest warrants have been issued over the course of 'Operation Car Wash', the investigation into a political bribery scheme at the State oil giant Petrobras, the largest company in both Brazil and Latin America. Speaking on the fringes of the G20 meeting in Australia, President Dilma Rousseff said the investigation has the capacity to "change Brazil forever".

Friday afternoon was pretty grim for Petrobras, which is 54% controlled by the State. It released a statement saying it was unable to release its third-quarter earnings due to the investigation, described as "a unique moment in the history" of the company. Around the same time, 300 police officers were raiding the company's Rio de Janeiro headquarters and those of several of its contractors, including some of Brazil's largest construction firms, Odebrecht, Mendes Junior and Camargo Corrêa.

All of the companies being investigated were major donors to the election campaigns both of President Rousseff, and her main opponent, Aécio Neves of the Partido da Social Democracia Brasileira (PSDB). Over US\$720m in assets, belonging to companies and individuals, have been frozen by the federal police. According to the head of the government's court of accounts (TCU) the corruption scheme at Petrobras may have been worth as much as R\$4bn (US\$1.6bn). The court said that Petrobras spent R\$30bn with no adequate bidding process. Eight of Brazil's top 10 construction firms are being investigated as part of 'Operation Car Wash'.

At the heart of the scheme are two men who were arrested earlier this year: Alberto Yousseff, a black market money dealer, and Paulo Roberto Costa, the former director of supply at Petrobras. According to their testimony, 3% of the value of the contracts agreed between Petrobras and its contractors was passed onto the ruling Partido dos Trabalhadores (PT), and its allies, the Partido Movimento Democrático Brasileiro (PMDB) and the Partido Progressista (PP).

With the arrest of some of the most powerful men in Brazil, the attorney-general, Rodrigo Janot, said he hoped their detention would encourage them to testify. Already, several have agreed to return millions of dollars to state coffers. The far-reaching nature of the investigation does have some innocent victims, however. On 18 November the federal police briefed the press that Yousseff and Costa had implicated Costa's successor, José Carlos Cosenza. Immediately, government ministers began lobbying for his removal from the position, despite his claims of innocence. The next day, 19 November, the police admitted they had made a mistake and Cosenza was not implicated at all.

Regardless, former president Lula da Silva (2003-2011) has let it be known that he thinks the CEO of Petrobras, Maria das Graças Silva Foster, should quit. Lula claimed that Silva Foster, who was appointed by Rousseff in 2012, lacked the political nous to lead the company at such a sensitive time. His allies have also briefed that she is failing to do enough to protect the reputation of the PT. Jaques Wagner, a former governor of Bahia, has been named as Lula's preferred choice.

If any positives can be drawn from the saga, it is just possible the scale of the corruption may, in the long term, play into Rousseff's plans for political reform. Much of the corruption arose from the needs of Brazil's political parties to pay for their expensive election campaigns. With the rot as widespread as it now appears, and Petrobras a shadow of the company it was in 2008, congress may find blocking political reform puts them on the wrong side of the debate.

Corruption

Speaking on 19 November the lawyer for Fernando Soares, a lobbyist also known by the name Fernando Baiano, who allegedly facilitated the payments between Petrobras and the PMDB, defended his client by stating that "no public works in Brazil are completed without a 'deal'".

Argentine beef exports to China soar

On 18 November the Argentine press reported that exports of frozen Argentine beef to China increased by 89% between January and September this year to some US\$50m, making China the third largest beef export market by value behind Russia and Chile. Argentina gained access to the Chinese market in July 2012 after negotiations involving government officials and the private sector, represented by the Argentine institute for the promotion of beef, resulting in the signing of an agreement. The increase in exports to China has helped to boost the entire sector. It is estimated that in October 2014 alone 22,000 tonnes (t) of Argentine beef has been exported to all markets, compared to the average of 17,100t of the previous eight-month period.

TRACKING TRENDS

URUGUAY | Looking to develop energy export market. On 11 November Uruguay's industry, energy & mining minister (Miem), Roberto Kreimerman, said that the government was actively looking for the support of private energy producing firms for its plans to export electricity to Brazil and Argentina, the two largest markets in the Southern Common Market (Mercosur) trade bloc, in the near future.

Uruguay's electricity grid is fully connected to those of both Argentina and Brazil. In fact, the three countries regularly sell electricity to each other in a spot market any time that either of them is experiencing a shortfall in production or a sharp surge in consumption.

In the past few years, Uruguay has been the one that has experienced a shortfall in electricity production as a result of droughts that have affected its hydroelectric production capacity.

But this year things have turned around with a drought affecting southern Brazil, and Argentina struggling to meet its domestic electricity demand amid a current heatwave. This has resulted in Uruguay selling some of its electricity production to its neighbours (mostly Argentina) to the tune of US\$35m up to August, according to the latest official figures.

Kreimerman said that the government's plan now is to promote electricity generation in Uruguay so as to be able to better supply the regional market. In this context Kreimerman and Gonzalo Casaravilla, the president of Uruguay's state-owned energy firm (UTE), said that Uruguay is "strongly banking" on boosting its national renewable energy production be it via hydraulic, thermal or other means; and that the government was looking to work with private firms to achieve this.

Kreimerman's comments came as he opened the 2014 Ibero-American energy congress (IntegraCIER) held in Uruguay's tourist resort of Punta del Este on 10-12 November.

The event was attended by over 250 energy firms from Latin America and the Iberian peninsula, as well as government representatives from across the region, all of whom discussed issues such as ways to promote the integration of the regional energy market.

The IntegraCIER congress came after Uruguay's President José Mujica paid a visit to his Brazilian counterpart, Dilma Rousseff, on 7 November to discuss bilateral issues, including joint plans to upgrade the electricity interconnection system.

After the meeting Mujica said that Rousseff had agreed with him that all Mercosur countries should "advance towards greater integration of our production chains".

PARAGUAY-CHILE | Binational chamber of commerce revived. On 13 November Chile's ambassador to Paraguay, Alejandro Bahamondes, announced the reactivation of the Paraguayan-Chilean chamber of commerce following 30 years of inactivity.

In a press conference, Bahamondes said that as a result of the growing interest in increasing bilateral trade in both countries, businessmen from the two nations had decided to get together to reactivate the trade promotion body. Highlighting the interest on the part of Paraguayan producers to increase their exports to Chile and of Chilean investors to invest in Paraguay, Bahamondes, who was elected as the new honorary president of the chamber, said that "all the conditions are in place to increase the level of trade between the two countries as well as investment flows".

Indeed Bahamondes revealed that a delegation of Paraguayan businessmen (including Gustavo Olmedo, elected as the chamber's president) led by Paraguay's industry & trade minister, Gustavo Leite, is due to travel to Chile in the last week of November to establish contacts with Chilean businesses and stimulate trade opportunities in sectors of special interest such as retail, food, pharmaceuticals, health, education, forestry, ship-building and finance.

Peña Nieto returns to face down violent protests

After President Enrique Peña Nieto decided to ignore the calls for him not to go on his scheduled week-long tour of China and Australia and remain in Mexico to face the continuous protests over the Iguala disappearances [WR-14-45], the big question was how he would respond to the growing political crisis sparked by the unrest upon his return. With Peña Nieto strongly condemning violent protests and warning of attempts to destabilise his government, it now seems that Peña Nieto will resort to the use of force to restore public order if necessary.

Up until now Mexico's security forces have been very measured in their handling of the public demonstrations staged across the country, worried that a tough approach could be counterproductive and incite more violence. This has been the case even when demonstrations have descended into disorder, and is especially true of the municipal police forces, in which public confidence is at an all-time low given that municipal police officers were involved in the Iguala disappearances. Some local commentators have blamed this 'light touch' approach for the spread of violent demonstrations beyond the state of Guerrero and on to other areas. This situation has in turn spawned criticism of the federal government's inability to impose order and the rule of law all over the country.

However, upon his return to Mexico Peña Nieto was clear that his Partido Revolucionario Institucional (PRI) government will not condone public disorder and that it will confront it. No sooner had he landed in Mexico City, on 16 November, than Peña Nieto gave a press conference in which he reiterated his sympathy for the relatives of the disappeared but said that violent protests were unacceptable. "We call for order, for peace; to the groups that have staged violent protests we call on you not to make this moment of sorrow and pain for the relatives of the disappeared a rallying point for other causes," Peña Nieto said. He added that he would continue to seek dialogue but that the State had the legal right to use force as a last resort to restore order. This message was echoed by the interior minister, Miguel Angel Osorio Chong, who said that there were limits to the government's tolerance of public disorder by demonstrators.

But despite such warnings, violent protests continued to erupt in different points of the country. As relatives of the disappeared embarked on three separate marches, which will wend their way across different regions of Mexico, to garner support for their cause, with a view to converging in Mexico City on 20 November for a mass march (see sidebar), other groups that have expressed their solidarity with them but have their own demands have also stepped up their protest campaign since 15 November.

The Resistencia Normalista Guerrerense group of trainee teachers, who are demanding that teacher posts be reserved for them, for instance, looted shops in Guerrero's capital, Chilpancingo. The combative Guerrero state teachers' union (Ceteg) occupied the headquarters of the Guerrero judiciary in Chilpancingo holding officials hostage for four hours on 17 November. Meanwhile the Coordinadora Nacional de Trabajadores de la Educación (CNTE) national teachers' union demonstrated against the implementation of Peña Nieto's education reform in the state of Oaxaca, where they attempted to break into the state congress forcefully on 15 November.

Also in Oaxaca, on 17 November, hooded protesters accompanying one of the Iguala marches attempted to set fire to the PRI headquarters in the state. Another group of hooded demonstrators that took part in a university student march in Mexico City on 16 November set up roadblocks and vandalised highways on the outskirts of the city and looted shops in the Copilco area.

Revolution

Interior Minister

Miguel Angel Osorio

Chong has cancelled

the annual parade on

20 November

marking the start of

the Mexican

Revolution in 1910,

as a mass strike for

the 43 disappeared

Iguala students is

scheduled to take

place on the same

day. "20 November is

a date that we

Mexicans celebrate

the beginning of our

revolution," Osorio

Chong said. "This

time, it was decided

that the celebration

will not be

accompanied by the

traditional festivities

and parade."

New human rights head appointed

On 13 November Mexico's senate chose Luis Raúl González Pérez as the new head of the national human rights commission (CNDH), which acts as the ombudsman's office in Mexico. González will now be in charge of restoring public confidence in the CNDH, which has been severely affected following the Iguala disappearances as well as the recent extrajudicial executions by the military in Tlatlaya, Estado de México. The previous CNDH head, Raúl González Plascencia, was widely seen as weak and ineffective. Regaining a degree of credibility for the CNDH will be a key task for González, not least because although the CNDH is nominally independent, many see it as subservient to the political parties that appointed him.

Warning against destabilisation efforts

Peña Nieto responded to the latest outbreaks of violence on 18 November. During a speech at a public event, he expressed support for the relatives of the disappeared but strongly condemned the violence that has accompanied their protest campaign. Pointing out that his government had launched extensive investigations to try to get to the bottom of the Iguala case, Peña Nieto said that the violence was starting to resemble orchestrated attempts by specific interest groups to destabilise the country and his government. He accused some groups of using "the suffering of the parents of the disappeared and social consternation to stage demonstrations that often don't have a clear objective [...] it seems that they answer to a desire to produce instability, to produce social disorder and above all attack the national project we have been promoting".

However, Peña Nieto was clear that his government was determined to continue on its present course and fulfil its plans. "This government is firm in its national project," Peña Nieto declared in a defiant tone. Peña Nieto clearly hopes that the protest will soon start to lose steam before the need arises for the security forces to crack down heavily on the demonstrations, but he is also aware that the longer these go on, the more damage they will cause to his administration.

Mansion furore

Mexico's First Lady Angélica Rivera has sought to ease mounting pressure on her husband by announcing that she will sell their family mansion, one week after it emerged that it is registered in the name of a company, Constructora Teya SA, whose owner, Juan Armando Hinojosa, has been awarded high-profile government contracts.

The presidential office said the mansion, dubbed 'The White House' by the Mexican media because of the colour of its interior, belongs to Rivera. In a video statement posted on her YouTube channel on 18 November, Rivera said that she had earned enough money in her career as a soap opera actress to purchase the home, which she said she was buying from Constructora Teya for US\$4m in instalments over eight years. She said she had already repaid about 25% of this, and posted a copy of the sales contract online.

Rivera said she had nothing to hide and was only selling because she did not want the mansion "to continue to be a pretext to offend and defame my family." Under mounting political and public pressure, President Peña Nieto declared assets worth at least M\$45.2m (US\$3.3m) on 19 November, including ownership of nine properties.

TRACKING TRENDS

MEXICO | Global CAC bond issue. On 18 November Mexico's finance ministry announced that it had placed US\$2bn of sovereign bonds in international markets. A statement from the finance ministry said that the US-denominated bonds maturing in 2025 offered a coupon of 3.6% and a 3.67% yield, the lowest coupon and yield ever offered by Mexican bonds. According to the finance ministry the yield offered by the bonds was just 135 basis points above that currently offered by 10-year US Treasury bonds.

The statement added that the issue was three times oversubscribed, with over 240 institutional investors from the Americas, Europe and Asia placing orders to the tune of US\$6bn.

The finance ministry has attributed the success of the issue partly to the positive outlook of the Mexican economy in international markets but also to the fact that the new bond contracts contained significant improvements. Chief among these is the inclusion of a collective action clause (CAC) as recommended by the International Monetary Fund (IMF), the International Capital Market Association (ICMA) and the G-20 group of leading economies. CAC clauses allow a majority of bondholders to agree to debt restructuring deals that are legally binding for all other bondholders, including those opposed to any restructuring arrangements.

The bonds were issued under US law and, according to the finance ministry, they are the first sovereign bonds issued under US law to include a CAC.

High-profile investigations

On 11 November the attorney general's office opened an investigation into former President Ricardo Martinelli's social development minister Guillermo Ferrufino for alleged illicit enrichment. According to the local press, the investigation includes Ferrufino's purchase of a luxury estate in the coastal area of Coronado in June 2013 for the sum of US\$500,000. Six days later the former director of the government fund, Programa de Ayuda Nacional (PAN), Rafael Guardia Jaén (2012-2014) was arrested in relation to alleged corruption. According to the local press there are currently eight investigations into Guardia including for US\$1.7m in cost overruns relating to the purchase of rice this year by the PAN – which is also currently being audited.

CENTRAL AMERICA & CARIBBEAN

PANAMA | POLITICS & JUDICIARY

Varela moves on pledge to combat corruption

President Juan Carlos Varela is serious about making good his campaign pledge to crack down on official corruption – a major public complaint against the previous administration of Ricardo Martinelli (Cambio Democrático, 2009-2014). Earlier this month Varela appointed Angélica Maytín, the executive president of the local branch of the Berlin-based watchdog, Transparency International, as his new anti-corruption czar. The appointment comes amid other signs that the Partido Panameñista (PPA)-led government is moving against corruption.

The appointment of Maytín on 11 November to head up the government anti-corruption agency, Autoridad Nacional de Transparencia y Acceso a la Información (Antai), for a five-year term was made possible after the PPA and opposition Partido Revolucionario Democrático (PRD), in a further sign of their ensuing legislative pact, approved a bill last month dismantling a so-called 'parallel government' set up by Martinelli. This is a reference to a series of new 'autonomous' agencies established by Martinelli in April 2013 [WR-13-19], such as a national public revenue authority (ANIP) and the Antai, whose directors he appointed for seven-year terms.

At the time this left Martinelli open to accusations of seeking to extend his influence beyond his five-year term, although it is worth pointing out that this practice was nothing new. Martinelli's predecessor Martín Torrijos (PRD, 2004-2009) created a new public services agency, Autoridad Nacional de los Servicios Públicos (Asep), appointing Víctor Urrutia as its head for a seven-year term, although Urrutia was ejected after Martinelli took office.

The law passed in October by the national assembly (which should comprise 71 seats but remains incomplete due to various appeals being considered against some of the deputies elected in last May's general election – see next page) set 31 October 2014 as the end date for the appointments made by Martinelli. The new law also reduced the terms of the officials of the newly created agencies to five years, stipulating that their mandates should run concurrently with that of the president.

On 20 October the national assembly also voted to suspend supreme court (CSJ) magistrate, Alejandro Moncada Luna, a Martinelli ally, so that he can be investigated for alleged corruption. This, after the legislature admitted a complaint filed jointly by the national bar association, Colegio Nacional de Abogados, and the civil society group, Alianza Ciudadana Pro Justicia, against Moncada, a former CSJ president (2012-2013). This followed the publication of a report by the local daily La Prensa, on 29 September, which raised major doubts over Moncada's rapid accumulation of personal wealth. Among other things, the report questioned how Moncada – one of various high profile former Martinelli allies under investigation (*see sidebar*) – was able to go from renting an apartment five years ago to purchasing two luxury flats, one of which he reportedly paid some US\$400,000 in cash for.

Martinelli's appointment of Moncada to the nine-member CSJ in 2010 for a 10-year term had been controversial given questions over his independence. A former PRD member, Moncada had publicly thrown his weight behind the CD ahead of the 2009 election. With the investigation expected to last two months, both Moncada – who is currently barred from leaving his residence or the country without a court order – and Martinelli are decrying the move as political persecution. On 18 October Martinelli took to his Twitter account to accuse Varela of being an "autocrat" and a "dictator".

Nepotism

The government of President Juan Carlos Varela itself has faced accusations of nepotism and influence-trafficking although it moved quickly after two such cases emerged. While the 2004 code of ethics for civil servants outlaws nepotism, civil society groups were quick to complain after Minister of the Presidency Álvaro Alemán hired his nephew (Jaime Alemán) as an adviser, while Interior Minister Milton Henríquez named his sister-in-law (Florita Ciniglio) to an administrative post in his ministry. Faced with growing criticism from various sectors, including First Lady Lorena Castillo de Varela, the relatives in question stepped down - Alemán on 31 August and Ciniglio on 2 September.

Appeals against electoral irregularities

The three-member national electoral authority (TE) has admitted appeals against 11 legislative contests which took place last May, 10 of which were won by the CD, and has begun staging fresh elections for the seats in question. The move by TE justices, two of whom are PRD-aligned, has been slammed by Martinelli whose differences with the court intensified in the latter stages of the electoral campaign.

On 16 November the first of these elections took place in Los Santos province where the TE had voided the victory of Carlos 'Tito' Afú (CD) amid claims that he had allegedly misused more than US\$4.2m of State funds for his campaign, including US\$1.4m from the government fund, Programa de Ayuda Nacional (PAN), which is currently being audited [WR-14-35]. Despite this, Afú ran again and defeated his main rival, Ovidio Díaz (PRD), by a narrow 44.6% to 43.3%.

So far the TE has set 14 December as the date for fresh elections for a further two legislative seats (after cancelling the election of Rogelio Baruco [CD], and Miguel Fanovich, of the CD's former ally, Movimiento Liberal Republicano Nacionalista [Molirena]), but it has yet to name the dates for the rest.

With the appeals currently being considered, the national assembly currently comprises just 60 deputies - 25 from the PRD, 20 from the CD and 12 from the PPA with the rest belonging to minor parties.

TRACKING TRENDS

NICARAGUA-COSTA RICA | Costa Rica files another claim. On 13 November Costa Rica's foreign minister, Manuel González, sent a formal letter of protest to the Nicaraguan government led by President Daniel Ortega after confirming evidence of logging on Costa Rican territory by Nicaraguans travelling on the San Juan river which divides the two countries. A dispute over the area has been before the International Court of Justice (ICJ) at The Hague since 2010.

González said Costa Rican officials had witnessed Nicaraguans cutting trees on the bank of the San Juan where Costa Rican territory begins, as well as other acts of 'cleaning', and complained that the Costa Rican government led by President Luis Guillermo Solís had not received any notification from Nicaraguan officials regarding the work. González called this "unacceptable" and said a formal protest note had been sent to his Nicaraguan peer, Samuel Santos.

In an interview with local TV station Channel 4 on 14 November, Nicaragua's representative before the ICJ, Carlos Argüello, dismissed González's complaint, insisting that the government has the right to clean the river (which is Nicaraguan). The following day Santos echoed Argüello's remarks claiming that the work was part of essential maintenance of the river.

REGION | Panama City – the easiest city in Central America in which to do business. On 17 November the World Bank released a report, *Doing Business in Central America and the Dominican Republic 2015* which compares business regulations in the six Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) and the Dominican Republic. It found that Panama's capital, Panama City, came out on top of the 22 cities measured in the report's rankings, followed by San José (Costa Rica) and Guatemala City (Guatemala), which came second and third respectively. At the other end of the scale, Juigalpa, the capital city of the department of Chontales in Nicaragua, came 20th, followed by Escuintla, a city in south-central Guatemala, and finally Choluteca, the capital of the eponymous department in southern Honduras.

As well as the capitals, the study also collected data related to 15 sub-national locations regarding regulations that affect three stages in the life of a small to medium-size domestic firm: starting a business; dealing with construction permits; and registering property. The report also found that in Guatemala, Honduras and the Dominican Republic, there are broad differences among cities. In El Salvador and Nicaragua, the performance is more homogeneous.

Quotes of the week

“Storms don’t matter. What is important is that we reach our port of destination and that you [the Colombian public] are the fuel which keeps us going.”

Colombia’s President Juan Manuel Santos.

“For the first time in the history of the G20 the issue of debt restructuring has been put into the final statement. Argentina’s case has already proved effective in changing the story of the emission of sovereign debt.”

Argentina’s President Cristina Fernández on Twitter.

“It has been a ‘won decade’, in which the Uruguayan economy has grown by an average of 5.9% a year.”

Uruguay’s President José Mujica contrasts the last 10 years of left-wing Frente Amplio administrations with the ‘lost decade’ of the 1980s debt crisis in the region.

Mexico’s PRD faces schism

When the founder of Mexico’s main left-wing opposition Partido de la Revolución Democrática (PRD), Cuauhtémoc Cárdenas, says the party is on the “verge of dissolving” people sit up and take note. In a letter dated 17 November Cárdenas delivered a devastating critique of the PRD leadership’s handling of the most serious crisis it has confronted since he founded the party in 1989. The letter, addressed to the members of the executive leadership committee (CEN) as well as rank-and-file members, called for the party president, Carlos Navarrete, and secretary general, Héctor Miguel Bautista, to resign.

“The PRD finds itself in a serious situation of prostration and exhaustion, which it has never before encountered in its 25 years of existence,” Cárdenas wrote. He bewailed “the loss of moral authority of its leaders; the steady loss of membership across the country; and the loss of presence and credibility in public opinion” which he attributed to “the imposition of clientelistic and sectarian practices” as well as “contradiction and corruption in political direction”. He said that unless the PRD took urgent measures it would disband or become “simply a politico-electoral franchise, subordinate to interests contrary to those of its broad base of support”.

Cárdenas called for a genuinely representative provisional leadership to take over. He said this should convene a party congress to preside over a fundamental overhaul of the party statutes to modify decision-making power and contain the crisis of credibility afflicting the PRD after what he described as its misalliance with the government through the cross-party ‘Pact for Mexico’ initiative, and the “unfortunate and questionable decisions taken in the wake of the Iguala crisis on 26 September”. The mayor of Iguala charged over the murder of 43 trainee teachers who disappeared in Iguala, José Luis Abarca, was a PRD member, as was the governor of the state of Guerrero, Angel Aguirre, who eventually stepped down as his position became untenable.

Navarrete, who belongs to the moderate Nueva Izquierda faction of the PRD, responded to Cárdenas’s letter by accepting that some “wrong decisions” had been taken, “omissions” made and even “unacceptable practices” tolerated. He said the party’s national council (which only recently elected him in a landslide victory) would meet on 29 November to discuss the letter and decide on whether the party leadership should resign.



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