

latin american weekly report

11 December 2014, WR-14-49

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

Summit season exposes challenges for Latin America

Latin America paid host to two significant summits over the course of the last week. During a two-day summit in Ecuador, the Union of South American Nations (Unasur) provided concrete evidence of its ambition by unveiling a grand new headquarters near Quito, which contrasted with some more chimerical aspirations for regional integration. The Ibero-American summit in Veracruz, Mexico, addressed the challenge of global economic changes and came up with concrete proposals to help spur development, with a focus on education and innovation.

The Unasur summit was a tale of two cities. The first part took place on 4 December in Ecuador's coastal city of Guayaquil where the pro tempore presidency of Unasur was transferred from Suriname to Uruguay. South American heads of state gathered here for a forum on regional integration. The host, Ecuador's President Rafael Correa vented his frustration that Unasur had failed to establish itself as the region's premier integration model since its creation in 2008. Correa would like Unasur to supersede the Organization of American States (OAS) whose institutions, he argues, are dominated by the US.

Warning of the danger that "people will tire of these summits if they don't see concrete results", Correa called for an urgent overhaul of Unasur's institutions, which he said were "absolutely dysfunctional". He said this should start with a revision of the statutes so that "everything is decided by consensus" and with the veto, which he described as "the best way to go nowhere", replaced by "qualified majorities".

Correa then proceeded to list a series of objectives for Unasur which, while laudable ambitions, could hardly be considered to lend themselves to concrete results in anything but the long-term: a regional currency; the creation of a 'South American citizenship', with 400m citizens able to travel, study and work within the bloc, to provide "a true confirmation" of regional identity; a common minimum wage; and the establishment of a dispute settlement tribunal. The last of these could be achieved without too much difficulty but whether member nations would accept it as credible is a moot point: Argentina and Uruguay, it is worth noting, eschewed the dispute settlement mechanisms within the Southern Common Market (Mercosur) when they were at loggerheads over Uruguay's pulp mills, turning to the International Court of Justice (ICJ) at The Hague instead.

Peru's President Ollanta Humala was more pragmatic. He too called for Unasur to focus on "concrete issues" to deepen integration, to enable it to become "a more agile organisation" than the OAS, but said the focus should be

Kirchner and Chávez

While the new Unasur HQ in Quito was named after Argentina's late president Néstor Kirchner, the South American parliament in Cochabamba, Bolivia, which is being constructed, will be named after Venezuela's late president Hugo Chávez (1999-2013). It is a moot point whether down the line Kirchner and Chávez will be considered the best models to consolidate regional integration. In their lifetimes they were hardly paragons of consensus-seeking.

on "productive diversification and the search for new markets". Brazil's President Dilma Rousseff underscored the need for fixed energy and infrastructure accords. Uruguay's President José Mujica cut to the chase: "There will be no integration if there is no compromise [and...] political will because the obstacles in the world are enormous." Despite all the rhetoric of a Patria Grande championed by the region's self-professed heirs to Bolívar, led by Venezuela, they cling more tightly to national sovereignty than any other nation in the region which conflicts with this need for compromise to deepen integration.

Until Unasur members can agree on the need to identify common tools and mechanisms to advance integration and carry out a realistic evaluation of the current state of the process, summits will not go beyond the reiteration of lofty goals and self-chastisement for slow progress in attaining them. For the umpteenth time Correa and Venezuela's President Nicolás Maduro questioned when the Banco del Sur was going to lift-off, for instance. Financed by individual member states this was envisaged as a means of obviating the need to turn to the International Monetary Fund (IMF) and World Bank to fund infrastructure projects to boost physical and economic integration.

Argentina's President Cristina Fernández, meanwhile, blamed "intraregional and international forces that don't want integration" waging "a new cold war to discredit and defeat progressive forces" in the region (although her foreign minister, Héctor Timerman, bluntly conceded there had been "no concrete results of integration" which he said should be "constructed according to the needs of each people for the economic development of each country").

Unasur gets new HQ

The second half of the Unasur summit was held in Mitad del Mundo, 13km north of Quito. It was here, at "the centre of the world", that Unasur's shiny new headquarters were inaugurated on 5 December by Fernández whose late husband, former president Néstor Kirchner, was the first secretary general of Unasur: the HQ was named after Kirchner whose statue stands outside the building. Ecuador's government stumped up the US\$43.5m bill for the construction of the 19,000 square metre building, which features two overhangs of between 35 and 55 metres, the largest in South America, designed by local architect Diego Guayasamín as "a metaphor for freedom". Spread over seven floors, it houses among other things a convention centre, a library named after the late Gabriel García Márquez, and offices for representatives of member countries.

Delegations of 10 of the 12 Unasur members will begin working in the building on 15 January next year, along with the new secretary general, Ernesto Samper, a former Colombian president (1994-1998). Samper said he would move swiftly to launch "a process of convergence" with other regional blocs - Mercosur, the Andean Community (CAN) and the Latin American Integration Association (Aladi) - so that South America could project itself on to the world stage as a "new fourth bloc, the South-South bloc," to compete against the likes of the US, the European Union (EU) and Asia. He said that together Unasur made up 6% of global GDP and would be the fourth largest economy in the world united.

Rejuvenating regional integration

Days later Samper gave a fierce riposte to the managing director of the IMF, Christine Lagarde, who in a regional economic conference in Santiago, Chile, on 5 December attended by governors of regional central banks and economic officials, called on Latin American policymakers to "rejuvenate" trade integration in the face of "the proliferation of trade groupings, such as Mercosur, Alba [the Venezuela-led Alianza Bolivariana para los Pueblos de Nuestra América], Unasur and Sica [the Central American Integration System]".

The curse of ideology

“In this era of blocs where is Latin America? Why don't we get to work with a more open view unclouded by ideology?” the secretary general of the Economic Commission for Latin America and the Caribbean (Eclac), Alicia Bárcena, asked rhetorically during the Unasur summit. Bárcena pointed out that intraregional trade in Latin America amounted to just 19% compared with 60% in Europe and 40% in the Asia-Pacific.

Lagarde said this represented “a spaghetti bowl of regimes and preferences whose aggregate benefits are unclear”. Samper said Lagarde should focus on the current economic crisis in Europe which he said was like “lasagne, with only two countries eating up the cheese and meat and leaving the pasta to the rest”. He also quipped that Lagarde calling for the region's integration processes to be “rejuvenated” was like “Methuselah giving lessons on youth”, and that if Latin America had a problem impeding growth and reducing poverty at desirable rates it was because of “poisonous demands” from the IMF hindering progress.

Lagarde actually complemented Latin American nations for achieving low inflation, fiscal discipline, and financial stability. But she warned that “the road ahead looks increasingly bumpy” and that without deeper regional trade integration countries in the region would suffer in the face of falling commodity prices and adverse global financial conditions. Lagarde called for the region to invest more in structural reforms in education and infrastructure to lift productivity and diversify their economies.

Ibero-American summit focuses on education

Intriguingly this was the main message to emerge from the other big summit of the week in Veracruz, Mexico, held by the Organisation of Ibero-American States (OEI). “Education is the motor of change,” Mexico's President Enrique Peña Nieto, who hosted the summit, said in his opening speech, highlighting the theme of the conference - “Education, Innovation and Culture”.

The OEI itself is undergoing a big revamp, staging its first summit since the two stalwarts of Ibero-Americanism, Spain's King Juan Carlos I and the OEI secretary general, Enrique Iglesias, made way for King Felipe VI and Costa Rica's Rebeca Grynspan respectively. Grynspan acknowledged the shifting sands of global economics, calling for “a second generation of public policies to restore growth” in the face of “the end of a cycle [primary commodity boom and easy financing]”. She added: “the only way to confront this is through a revolution of productivity and an explosion of innovation”, with a big boost in investment in human capital and infrastructure.

Unlike Unasur, Grynspan set more modest and attainable objectives to respond to this change. The standout project to come out of the summit was for the launch of an Ibero-American Erasmus exchange programme. This aims to provide scholarships to 200,000 students to study at Ibero-American universities over the next five years, and also to allow the free movement of professors and researchers. The newly-appointed CEO of Banco Santander, Ana Patricia Botín, said the Spanish bank would invest US\$945m over this period in higher education.

Colombia's President Juan Manuel Santos, who will host the next OEI summit in 2016 (it will henceforth become a biennial rather than an annual event) said this was “the first summit that has focused on concrete results with defined themes”, while Peña Nieto insisted that “Over and above any ideological differences we all share the same vision: a region with less poverty and less inequality”. This may well be true but these ideological differences complicate the obtainment of these goals, due to a lack of unity of purpose.

The leaders of seven of the 22 OEI member countries failed to show up for the summit, with only Correa, from the Alba bloc, making the trip to Veracruz. Bolivia's President Evo Morales said he had no interest in attending a summit created by “Spanish monarchs for their own interests”. President Rousseff, who has only attended the 2012 OEI summit since coming to power in January 2011, might not have put it quite like that but Brazil, suspicious of the Spanish challenge to its regional hegemony, has never embraced the grouping. President Fernández's health did not permit a trip to Veracruz (though it withstood the rigours of a high altitude visit to Quito).

The case of a truckload of dollars

Oil prices continue tumbling

West Texas Intermediate (WTI), the reference barrel for Venezuela, was trading at a new five-year low of US\$61.4 per barrel (/b) as we went to press on 11 December. Venezuelan oil, which trades at a discount to the WTI, ended last week at US\$61.9/b. It was US\$96/b just five months ago. Venezuela's 2015 budget is based on an oil price of US\$60/b. Private economists estimate that the country's oil export revenues will fall by a third - US\$25bn - in 2015, from an estimated US\$75bn in 2014.

In a week that Capitol Hill approved a bill proposing sanctions against government officials accused of human rights violations during the chaotic protests in Venezuela earlier this year, President Nicolás Maduro alleged that Venezuela was facing a new 'financial war' being waged against it by US-based credit ratings agencies. The tough-talking president of the national assembly, Diosdado Cabello, also declared that US\$4.2m in cash found hidden in a truck seized at Puerto Cabello last weekend was meant for new street protests and acts of destabilisation by 'guarimbas' ('vandals').

The truck was seized on 7 December after agents from the Servicio Nacional Integrado de Administración Aduanera y Tributaria put it through an X-ray scanner. When the reports initially came out, the state company Bolivariana de Puertos (Bolipuertos), which runs the port, publicly denied that the truck was its property. The opposition daily *El Universal* first reported the seizure at an estimated US\$10m.

On his weekly TV show, 'Con el mazo dando', Cabello said that the truck came into the country at the main port of La Guaira, the capital of the state of Vargas, from the US, via Curaçao, and from there was sent onwards to Puerto Cabello in the state of Carabobo. Showing photos of the cash, he declared that it "came for destabilisation", adding that aside from the one man officially reported as arrested, named as Arquímedes Rondón, 49), there was another "of Portuguese origin who has links to Miami companies". Rondón was arrested in Puerto La Cruz in the state of Anzoátegui after authorities reportedly ran a search on the Ford truck and his name came up. "There are more names that I can't mention as the investigations are ongoing," Cabello said. However, he did say that the detainees are linked to one Rodolfo Pedro González Martínez, alias 'El Aviador', who, he noted, is wanted by Venezuelan authorities on suspicion of having links to "a plan of insurrection" against President Maduro.

Meanwhile, the newly approved 'Venezuela Defence of Human Rights and Civil Society Act of 2014' proposes targeted sanctions against individuals linked to the Maduro government found to have violated human rights in the protests that erupted in February and ended in April after 43 people had lost their lives. These include asset freezes, visa revocations and other penalties. It also urges the US Department of State to support civil society in Venezuela. Following its approval by the US Senate and the House of Representatives, it will now go up to the White House, which latterly has indicated its support for the measure, on the grounds that talks between the Maduro government and the opposition have failed. Given that affected individuals would have some six months' notice to move any assets, the measure may not have much in the way of teeth, but it is heavily symbolic.

The Florida Republican Senator, Marco Rubio, one of the proponents of the bill, tweeted last May a list of 27 Venezuelan officials that he proposed should be targeted. The list, available on Rubio's webpage, includes four state governors, the federal prosecutor general, the chief of the armed forces, the head of military intelligence, various other senior military and national guard chiefs and also the interior minister. Rubio yesterday said the final list was "almost ready" to be sent to President Barack Obama. A White House official indicated that Obama would sign the bill but did not say when. The bill may yet be watered down as it makes its way up to the Oval Office.

MAS (mostly) ends electoral speculation

President Evo Morales's Movimiento al Socialismo (MAS) has unveiled all but one of its nine gubernatorial candidates ahead of the 29 March 2015 departmental and municipal elections. In October's general elections, the MAS won in eight of Bolivia's nine departments (losing only in Beni).

One of the most closely scrutinised choices was for the eastern department of Santa Cruz, the country's economic powerhouse which is currently held by Morales's long-time rival Rubén Costas, who is running for re-election. On 26 November, the MAS presented Rolando Borda, the leader of the local workers' union, Central Obrera Departamental (COD), who is aligned in particular with workers from the state-owned oil company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB). Borda's nomination comes despite speculation that the candidate would be rural development minister, Nemesia Achacollo, or even Gabriel Dabdoub, the president of a local private sector lobby, Federación de Empresarios Privados de Santa Cruz (FEPSC). That Dabdoub was even considering the invitation to run for the MAS once again illustrates the way in which the ruling party and the local business elite have buried their differences in the region, in large part due to the Morales government's sound management of the economy [WR-14-39].

As regards another key gubernatorial post – La Paz – Morales has again opted for a grassroots choice – Felipa Huanca, the executive secretary of a local indigenous women's organisation, Federación Departamental de Mujeres Campesinas de La Paz 'Bartolina Sisa'. Huanca was chosen after the (MAS) incumbent César Cocarico was forced to abandon his re-election bid amidst criticism of his administration's handling of a child abuse case, which has shocked the country: staff at a La Paz hospital are being investigated in relation to the death of an eight month-old baby last month.

In the MAS strongholds of Oruro and Potosí, a unionist Edgar Sánchez and national deputy Juan Carlos Cejas were selected as gubernatorial candidates, while in Cochabamba, the ruling party has named journalist Iván Canelas, Morales's former communications minister (2011-2012) and spokesperson (2008-2011). In the eastern department of Pando, the incumbent Luis Flores will run again, while in gas-rich Tarija, former rector of the Universidad Autónoma Juan Misael Saracho, Carlos Cabrera, was named. Cabrera was the MAS candidate for Tarija in 2010 but was defeated by Mario Cossío of the local outfit, Camino al Cambio, who was subsequently ejected in December 2010 for alleged corruption – charges he maintained were politically motivated. The post is currently held on an interim basis by a *MASista*, Lino Condori, whose election in 2011 by the regional assembly owed to a deal between the MAS and another regional outfit, Poder Autonomico Nacional (PAN) [WR-11-01].

The one gubernatorial candidate that the MAS has yet to confirm, is for the one department that it did not win in the October elections – Beni. As expected, the main opposition Unidad Demócrata (made up of the Unidad Nacional party of cement magnate Samuel Doria Medina and Movimiento Demócrata Social – the rump of the former regional opposition governors' bloc, Consejo Nacional Democrático) is fielding former Beni governor Ernesto Suárez who was forced to quit in May 2012 over what he claimed were trumped up corruption charges. The resignation of Suárez - who stood as the UD's vice-presidential candidate in the October vote – had triggered fresh regional elections which took place in January 2013 and were won by Carmelo Lens who also hailed from Suárez's local Primero Beni movement. Lens convincingly defeated the MAS candidate, Jessica Jordan, by 52%-44% and the opposition appears confident that it will retain control of the post.

Local outfits

On 4 December the spokesperson for the supreme electoral court (TSE), Dina Chuquimia, announced that 147 political organisations had so far registered to participate in the 29 March elections. Of these 137 registered in the departmental electoral courts – meaning their presence is limited to the department, while 10 registered before the national court. Santa Cruz is the department with the highest number of political organisations (35) while La Paz has 24 and Tarija 22.

La Paz wonder city

On 8 December Bernard Weber, the founder and president of the New7Wonders foundation revealed that, along with Cuba's capital, Havana, Bolivia's capital, La Paz, has been selected as one of the seven new wonder cities of the world. Since 2000, the New7Wonders foundation has conducted global polls to select new wonders of the world from lists compiled by experts. According to Weber after a lengthy selection process that began in 2011 and included 1,200 cities, the public voted to include La Paz, Havana, Beirut (Lebanon), Doha (Qatar), Durban (South Africa), Kuala Lumpur (Malaysia) and Vigan (Philippines) as the new wonder cities. The reaction of La Paz's mayor, Luis Revilla, was to announce that his government will now seek to attract more investment to the city's tourism sector.

PERU | One step closer to joining OECD. On 8 December Peru signed a mutual understanding and cooperation agreement with the Organisation for Economic Cooperation and Development (OECD), part of the process that will allow the country to join the international organisation by 2021 as envisioned by the government led by President Ollanta Humala.

Back in May, Peru was invited to begin the process to become the fourth Latin American country to join the OECD, following in the footsteps of its fellow Pacific Alliance partners Mexico and Chile (which are full OECD members) and Colombia (which is currently in the final stages of the adhesion process).

The agreement was signed by President Humala and the OECD's secretary general, Angel Gurría, on the sidelines of the XXIV Ibero-American summit held in the eastern Mexican city of Veracruz on 8 and 9 December. The agreement outlines a series of measures, part of a so-called 'Country Programme', that are to be adopted by Peru over the next seven years in order to comply with OECD standards.

An official Peruvian government statement said that the signing of the agreements "represents the start of phase one in Peru's relations with the OECD and shows Peru's commitment to attaining the good governance and public policy design standards upheld by this organisation's members".

Peru's economy & finance minister, Alonso Segura, hailed the signing of the agreement as a "historic milestone" for his country. Segura explained that Peru is commercially integrated to the world via all kinds of trade agreements, but that the latest agreement seeks to "incorporate knowledge of best practices employed by developed economies". He added that the accord signed by Humala would serve as a "catalyst" to continue adopting economic reforms that would help Peru reach developed economy status. Indeed Segura said that the measures could help Peru's domestic economy to overcome its current slowdown and lead to sustained growth in the medium term.

After posting decent growth of 5% in 2013 the Peruvian economy is forecast to grow by 3.6% this year. The Humala administration maintains that thanks to the various economic stimulus measures it has recently implemented, the economy will recover strongly. However, Segura admitted that the 5.5% growth target set for next year is now looking unlikely and that he expects the economy to rebound to 5% growth in 2015.

COLOMBIA | Puerto Brisa. On 7 December Colombia's President Juan Manuel Santos inaugurated a brand new US\$70.9m multipurpose port near the town of Dibulla in the north-easternmost Caribbean border department of La Guajira. The Puerto Brisa deep-water port terminal is capable of handling up to 5,000 tonnes (t) of cargo per hour and accommodating vessels with up to 18.5m draughts capable of freighting up to 180,000t of cargo.

In a speech Santos said that the port would help boost the country's exports, in particular hydrocarbon and coal shipments as the port has been specifically designed to cater for ships that transport oil, coal, natural gas, and other petrochemicals. Santos added that the project also included a second and third phase that involve the construction of a new 523km railway linking the port to inland areas, as well as the construction of five additional piers at Puerto Brisa that would increase its capacity to handle general cargo containers.

Santos said that the project would help Colombia to overcome its lack of port infrastructure resulting from decades of lack of investment in the Caribbean coastal areas especially. As part of its efforts to reverse this, the Santos administration has launched infrastructure investment programmes targeting La Guajira department in particular which in recent years has seen the construction of three 'mega ports' - Puerto Bolívar Cerrejón Zona Norte, Sociedad Portuaria La Península (Pensoport S.A.) and Puerto Brisa - a total investment of US\$234.39m.

The problem for the Santos administration is that its efforts to develop Colombia's port infrastructure come as the commodity boom cycle appears to be over, with the prices of oil and minerals falling in international markets for the first time in years. Finance Minister Mauricio Cárdenas recently admitted that the lower price of oil, for example, could lead to the slashing of the official 2015 GDP growth forecast of 4.7%.

Scant encouragement for opposition

The final breakdown of the second round presidential electoral result did not provide too many crumbs of comfort for Uruguay's opposition. In the 15 years since the first run-off in the country's history in 1999, after its adoption in an electoral reform three years earlier, the ruling left-wing Frente Amplio (FA) coalition has spread out from its electoral bastion of Montevideo to control a majority of Uruguay's 19 departments. No sooner had former president Tabaré Vázquez (2005-2010) won election, however, than differences began to emerge within the FA over cabinet positions.

In 1999, Jorge Batlle of the Partido Colorado (PC) defeated Vázquez by 52.6% to 44.5%. The FA won in only Montevideo (albeit this is by the far the most important electoral district comprising 40% of the electorate) with 54.8% of the vote. In 2004, after the economic and financial crisis, Vázquez won without the need for a run-off, taking Montevideo and six other departments: Canelones, Florida, Maldonado, Rocha, Soriano and Paysandú. In 2009 José Mujica defeated Luis Alberto Lacalle de Herrera of the Partido Nacional (PN; Blancos) with 52% of the vote, taking five departments but losing Maldonado, the third largest department in Uruguay.

This time around Vázquez swept 12 of the 19 departments, taking Artigas, Río Negro, Rivera, Cerro Largo, Rocha, Colonia, San José and Salto, as well as Canelones, Soriano and Paysandú. It is a dramatic turnaround. In Cerro Largo, Batlle defeated Vázquez by 62.9%-33.5% 15 years ago; Vázquez beat the PN's Luis Alberto Lacalle Pou here by 52.9%-43.3% on 30 November.

Vázquez did win two fewer departments than he took in the first round, but five of the seven departments won by Lacalle Pou were closely contested and, in the first round, he had benefited from the PC and the PN taking votes off each other in the interior. The only real blemish, if it can be called such, for Vázquez came in Montevideo, where he slipped slightly. Mujica took 60% of the vote here five years ago; Vázquez took 57%. The PN and the PC will present a joint candidate here in municipal elections on 31 May next year, and this result will give the opposition a glimmer of hope that it could just wrest the capital from the FA in a contest fought on local issues.

By far the biggest of these issues is crime, and if Vázquez fails to make any significant policy changes to improve public security, voters might punish the FA at the polls. In this context, Vázquez's decision to keep on Eduardo Bonomi as interior minister is somewhat surprising as the opposition has consistently inveighed against him, picking up on public discontent with the perceived deterioration of public security in Uruguay.

MPP irked by cabinet appointments

Vázquez not only confirmed Bonomi in his post but announced most of his cabinet appointments to the chagrin of the Movimiento de Participación Popular (MPP), the largest faction in the FA, without prior consultation. "It seems like a high-speed race [...] It would be well to remind ourselves that we got this far together and united," MPP Deputy Alejandro Sánchez said. "Politics is constructed with everyone and not against everyone."

Foreign policy

Senator Rodolfo Nin Novoa spelt out his guiding principles for when he takes over as foreign minister on local radio. "[Uruguay is] a country open to the world. We are going to look for opportunities, although global trade is complex. Uruguay will not rule out seeking any accord for purely ideological reasons but instead we will be guided by what I call responsible pragmatism. We are going to be as practical as possible, we are going to negotiate."

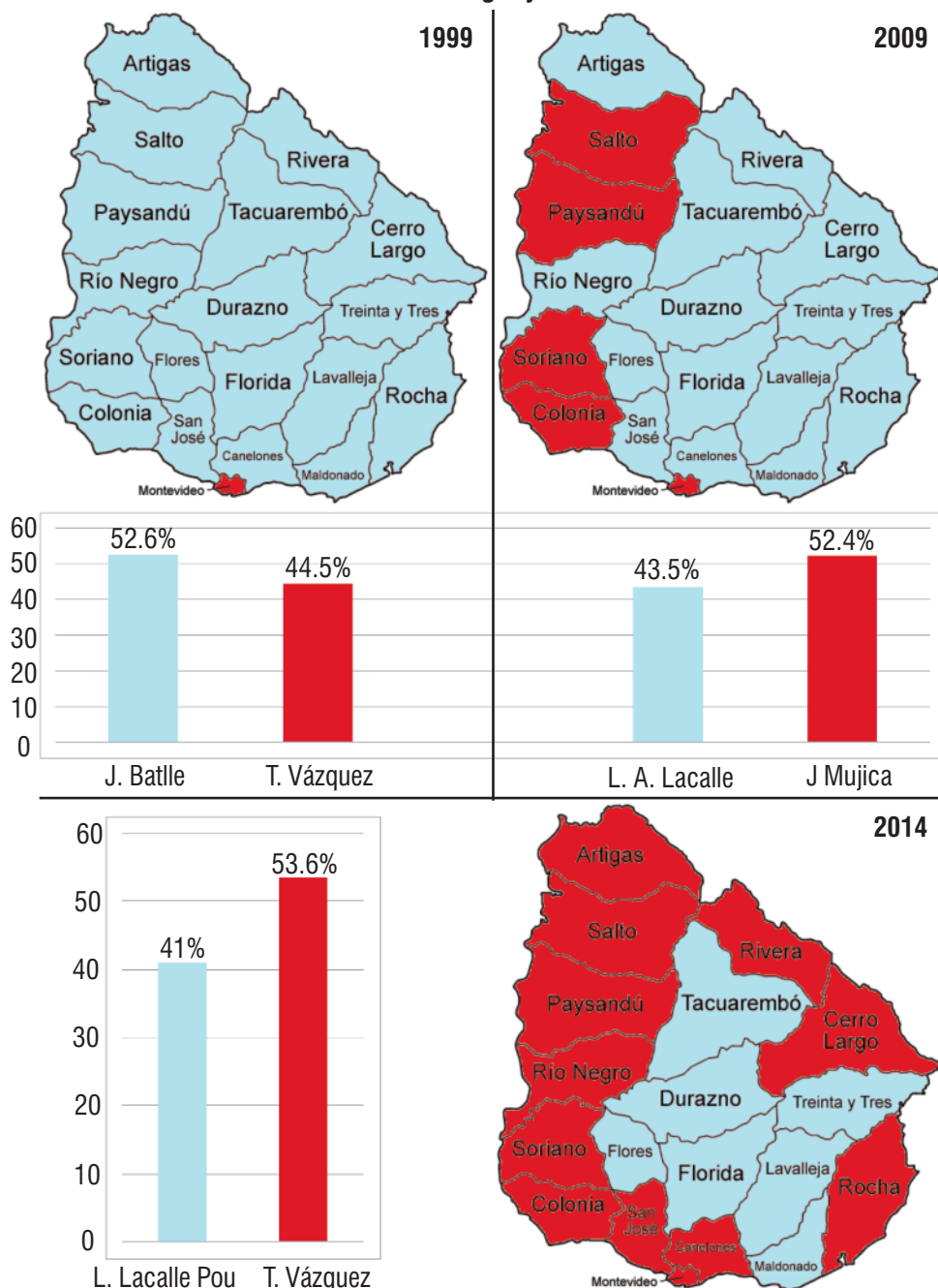
Housing plans

As housing minister, Eneida de León will be expected to push forward the Mujica administration's house construction initiative 'Plan Juntos' to assist those who cannot access loans. In an interview with the national daily *El Espectador*, however, she said that 'Plan Juntos' had budgetary problems. "It is very difficult to carry out a housing plan without money," De León said.

MPP Senator Lucía Topolansky, the wife of President José Mujica, took issue with specific appointments on 3 December. Topolansky said that while she could see Senator Rodolfo Nin Novoa (*see sidebar*) as livestock and agriculture minister she was "surprised" by his appointment to head the foreign ministry, which is currently in the hands of the MPP's Luis Almagro. Nin Novoa served as vice-president under Vázquez during his first term and was also his running mate in 1994 and 1999. Topolansky also said that the appointment of María Julia Muñoz, a doctor specialising in the field of infectious diseases and epidemiology, as education minister was "confusing" as she was health minister during Vázquez's first term in office, and knew "nothing about education".

Topolansky said the MPP had suggested some names for ministerial positions to Vázquez but had received "no response". The MPP has been awarded three cabinet ministries in total by Vázquez - Interior (Bonomi), Industry (Carolina Cosse) and Housing (Eneida De León, *see sidebar*).

Political evolution over Uruguay's three run-off elections



No devaluation

In a speech before the senate on 9 December, Argentina's central bank president, Alejandro Vanoli, once again ruled out the prospect of devaluing the peso. Vanoli insisted that such a move would not improve competitiveness. The black market price for a US dollar is currently trading at a four-month low.

The MPP was the best-performing faction of the FA for the third time in a row in October's elections, taking 31% of the coalition votes, and had expected to be given four ministries. Topolansky's decision to take aim at Nin Novoa and Muñoz specifically was based on the fact that they belong to the more moderate faction of the FA, Frente Líber Seregni (FLS), which won just 18% of the total coalition vote in October's elections but was also given three ministries, its leader, incumbent Vice-President Danilo Astori, who will become economy minister once again, being the third. This leaves the FLS with three heavyweight ministries.

Mujica will lead the MPP in the senate where he could reignite his fiery relationship with Vázquez who, for instance, has already mooted revising the law legalising the cultivation, sale and distribution of marijuana championed by Mujica. Mujica has promised to be a "forceful congressman" when he takes up his seat in the senate next March, supporting the government wherever possible but taking issue with it whenever necessary.

"I am conscious that I have political clout in the country; the people show me when I walk out on the street," Mujica said, adding that this was not "a gift from the Gods" but the consequence of "years of political service".

ARGENTINA | POLITICS

Boudou to discover fate before Christmas

Relations between Argentina's judiciary and the government of President Cristina Fernández are already at a low ebb. Just two weeks ago Jorge Capitanich, the cabinet chief, claimed judges were engaged in an "ongoing coup" following an investigation into a hotel chain owned by Fernández's family. Things may get worse, however, if federal judges determine that the vice-president, Amado Boudou, should face charges of bribery and conducting "activities incompatible with public service" over his role in acquiring a printing company. The local press reports a decision is likely before Christmas.

In June, Boudou was formally charged for using his position as a public official to acquire improperly a 70% stake in the struggling money-printing firm Ciccone, via The Old Fund, a shell company, allegedly fronted by Alejandro Vandebroele, a friend of Boudou's. The vice-president appealed the decision in July, alleging malicious prosecution. The three judges of the first federal court now have to decide whether the case will go ahead. According to the newspaper *La Nación*, at least two of the three judges believe there is sufficient evidence to press ahead with a court case.

Nor do Boudou's legal troubles end there. In total, he is a defendant in 10 different cases in federal courts. The actions of The Old Fund in restructuring the debt of Formosa province while Boudou was finance minister are under investigation. Boudou also stands accused of accepting free flights from government contractors; and faces fraud charges from his time as economy secretary of the district of Partido de la Costa, in Buenos Aires province.

Most pressing is the case against him being pursued by Claudio Bonadio, the judge active in the investigation against Fernández's hotel chain. Boudou may have to answer charges that he knowingly falsified documents relating to a car purchase. The slew of charges against Boudou, of varying degrees of seriousness, has prompted repeated calls from the opposition for him to stand down. Fernández has refused to contemplate such a move, at least in public, although several government ministers have been less than effusive in their support.

Firm punishments over Petrobras

To mark International Anti-Corruption Day, Brazil's attorney general, Rodrigo Janot, took the opportunity to defend his handling of the investigation into the state oil company Petrobras. Lamenting the fact that Brazil "remains an extremely corrupt country," Janot called for a complete overhaul of the company's management and insisted that those found guilty of corruption "needed to experience jail".

Although no-one has yet been prosecuted over the kickback scheme, charges are currently being drawn up for at least 11 executives accused of involvement. Janot described the scandal at Petrobras as a "fire of major proportions" which threatens the "wealth of the nation". Under the scheme, Petrobras allegedly demanded surplus payments from contractors bidding for work, with the extra money funnelled to politicians from the ruling Partido dos Trabalhadores (PT) and allies. Many of Brazil's biggest engineering companies are accused of complicity in the scheme, and of acting as a cartel in determining in advance the victors of each project bid.

"In the face of such disastrous management of the company, what Brazilian society expects is the most complete and thorough investigation of the offence, with the punishment of all those involved," Janot said. "Fundamental reform is expected, including, without prejudgement or an attempt to apportion blame, the eventual replacement of its management."

Last week the news magazine *Istoé* reported that Janot had met with the lawyers of some of the senior executives accused. According to the magazine, the lawyers sought a deal whereby their clients would accept a degree of responsibility if their companies were allowed to continue to bid for public works contracts. Many of these companies, and their shareholders, fear they may be blacklisted from bidding for government contracts over their involvement in the corruption scheme.

Given the magnitude of the scandal, and the involvement of some of Brazil's most prestigious companies, there is nervousness on all sides about the wider economic implications of banning these companies from public works bids. Recently, the head of Brazil's anti-trust watchdog, Vinícius Marques de Carvalho, argued that while no company should be considered "too big to punish", the punishment should not render the companies financially unviable.

Without mentioning *Istoé* by name, Janot denied that he was considering any kind of deal with the accused. "I would never accept any deal that would absolve criminal conduct or grant impunity to any offender," he said. "The decision is to get to the bottom of the criminal and civil responsibility for those who ran this scheme. There will be no rest. The attorney general's office will not outsource or ignore its duty to enforce the greater interests of the nation."

Rousseff blamed for scandal

A Datafolha survey published in the daily *Folha de São Paulo* on 7 December showed that a majority of Brazilians believe that President Dilma Rousseff bears a least some responsibility for the wrongdoing at Petrobras. According to the report, 43% of Brazilians think Rousseff has "a lot of responsibility" for what went on, while 25% believe that she bears "some responsibility".

Meanwhile, shares in the company continue to sink. The fall in the global price of oil has hit the company hard, with many analysts now questioning the viability of Petrobras's plans to exploit its pre-salt oil fields. Although the fields are huge, the oil there is hard, and therefore expensive, to extract.

Share price

Petrobras PN shares fell 6.2% to R\$11.5 (US\$4.4), its ON shares fell 6.4% to R\$10.7 (US\$4.1). Both values are the lowest since 2005. The company's delayed earnings report is due to be filed on 12 December.

Bolsonaro under pressure

Jair Bolsonaro, a right-wing congressman and military reservist, could face an ethics investigation following comments he made about Maria do Rosario, a PT deputy and former human rights' minister. Following Do Rosario's comments on the military's systematic use of rape as a method of torture, Bolsonaro told the assembly "she did not deserve to be raped". This is the second time he has made such a comment to the congresswoman; the first was in 2003. Bolsonaro received more votes than any other federal deputy in October's elections.

Petrobras shares trade on the New York Stock Exchange, and on 8 December the company was hit by its first US lawsuit. Peter Kaltman, an investor, filed a suit in a Manhattan court alleging that the company made knowingly false statements and misled investors. A day later, at least 10 Brazilian investment funds joined the suit. Janot, and a team from the attorney general's office, will travel to the US in January to work with the Securities and Exchange Commission (SEC) and the Department of Justice on the case.

BRAZIL | POLITICS

Truth commission advocates amnesty overhaul

Brazil's national truth commission (CNV) handed its investigation into human rights abuses during the country's last military dictatorship to President Dilma Rousseff on 10 December. In a ceremony in Brasília, Rousseff, who was herself held prisoner and tortured during the period of military rule, said that Brazilians "deserved to know the truth" about what happened during that time. While Rousseff was warmly applauded for her emotional speech, what comes next will be even more difficult. The government will now have to decide whether to follow the commission's recommendation to prosecute the 190 or so torturers who are still alive. Their average age is 82.

The 1,300 page report carried out over the past two years by the six-member CNV details the abuses that took place following the overthrow of President João Goulart in 1964 up until 1985. It identifies 434 people who were killed by agents of the State during that period, of whom 210 are still missing, and includes graphic testimony of the sadistic violence used on left-wing activists. "Knowing history is fundamental to understanding it better. The truth does not mean revenge. The truth frees us from all that was left unsaid. It reveals everything that was hidden," Rousseff said.

Three hundred and seventy-seven names are listed in the report as being directly responsible for torture or murder. Of those, around 190 are still alive. In its conclusion, the commission argues that those people should be held responsible for their crimes, and should not be granted immunity under the 1979 amnesty law, which shields military officials accused of torture and left-wing guerrillas accused of violence from prosecution. The commission argued that the amnesty law is "manifestly incompatible" with the American Convention on Human Rights and should not be an obstacle to the investigation of serious abuses.

Few senior figures from the armed forces testified to the CNV, as it did not have the power to subpoena witnesses. One former colonel, Paulo Malhaes, did tell the CNV in unapologetic detail how he tortured and killed many victims, but few of his former colleagues cooperated. On the day the report was released, the military club in Rio de Janeiro released a list of the names of those military personnel killed in the fight against left-wing guerrillas. One of those named in the report, Nilton Cerqueira, said he had only one question about the truth CNV's findings. "Is it me, who followed the law, who violated human rights? And what about the terrorists? What happened to them? What about the terrorist who is president of this country?"

Any attempt to alter the amnesty law is likely to be met with a fierce reaction in certain sectors of Brazilian society that still look nostalgically to the period of military rule. Demonstrations of an insignificant, but vocal, portion of the electorate regularly call for the return of military rule in response to the "dictatorship of the Partido dos Trabalhadores". The new congress, due to take over next year, is far more conservative than the current parliament, with a significant grouping of ex-security officials, the so-called 'bancada da bala' or bullet band. Already one supreme court justice has said the amnesty law should stand.

Peña Nieto finally visits Guerrero

President Enrique Peña Nieto has made his first visit to the state of Guerrero since the disappearance of the 43 trainee teachers in the town of Iguala two and a half months ago. Speaking on 4 December in the state's tourist capital Acapulco, Peña Nieto called for "a collective effort to move forwards and overcome this time of grief". Peña Nieto rolled out a plan for the economic reactivation of Guerrero, while his interior minister, Miguel Angel Osorio Chong, travelled to Iguala to reveal security proposals for the state. Days later the federal attorney general, Jesús Murillo Karam, confirmed that the remains of one of the students had been positively identified from charred bones discovered in a rubbish dump in the nearby municipality of Cocula.

President Peña Nieto said that the scale of the horror perpetrated in Iguala was such that it was incumbent on any head of state to show his face in Guerrero. His detractors would argue that he should have done so at least two months earlier and that he is only doing so now because of continued public unrest, negative international reaction and an opinion poll by the national daily *Reforma*, showing that his approval rating has fallen to just 39%, the lowest of any Mexican head of state since 1995.

"We are here for what happened but we also recognise that economic activity [...] is slowing down," Peña Nieto said, before unveiling his 'Plan Nuevo Guerrero' to reactivate it. With this Peña Nieto demonstrated in one sentence his flair for formulating concrete proposals and reforms and his lack of emotional sensitivity. The economic plan includes a decree providing tax breaks for companies in the five municipalities of Acapulco, Chilpancingo, Iguala, Taxco and Zihuatanejo; the creation of a fund to support small businesses threatened by bankruptcy; a temporary employment programme to benefit 130,000 families; and a temporary 50% reduction in the tolls on the Mexico City-Acapulco motorway in a bid to encourage the flow of tourists to the area for the Christmas and New Year holidays to lift the beleaguered tourism industry.

A day earlier, Osorio Chong and the national security commissioner, Monte Alejandro Rubido, were in Iguala, where they revealed that the military and federal police force would be deployed to 36 municipalities in the region of Tierra Caliente which straddles four states: Guerrero, Michoacán, Estado de México and Morelos.

They also discussed the disbandment of the 1,800 municipal police forces over the course of the next eight years and their replacement by state police, starting in Guerrero, Jalisco, Michoacán and Tamaulipas, the most troubled states. This is the most significant of the 10 anti-crime measures tabled by the Peña Nieto administration on 27 November [WR-14-48]. It presupposes, however, that state police are less corrupt and more reliable than municipal police, something upon which the cartoonist Paco Calderón cast doubt in *Reforma* by portraying a distinctly untrustworthy looking police officer simply exchanging his 'municipal' cap for a 'state' cap.

Murillo Karam then announced that a DNA test had identified the remains of one of the 43 abducted students - Alexander Mora Venancio. The bone which was tested was found in Cocula, where the government had said the students abducted in Iguala had been taken by the criminal group, Guerreros Unidos. Murillo Karam said that 80 people had now been arrested in connection with the case, among them 44 from the municipal police forces of Iguala and Cocula; the former mayor of Iguala, José Luis Abarca and his wife María de los Ángeles Pineda; and the leader of Guerreros Unidos, Sidronio Casarrubias Salgado, as well as other members of this group.

Relatives meet senators

The confirmation by the federal attorney general, Jesús Murillo Karam, that one of the students was killed strongly suggests that the others met a similar fate. Grief-stricken relatives of the students still demanded the return "alive" of the other 42 students, however, during a meeting with federal senators days later. If this is beyond the federal government's powers, it will also be reluctant to enact some of the extreme measures demanded by the relatives. They called for elections in Guerrero next June to be cancelled and the state's powers dissolved and assumed by the federal government.

New Mexican smartphone

On 10 December Mexican firm, MFourtel México, officially launched its M4 Intouch SS4040, the first Latin American-made smartphone to boast a light-emitting diode (LED) flash bulb, which the company says allows users to take high quality pictures. MFourtel CEO, Javier de Antuñano, said that with the launch of the M\$3,599 (US\$249) phone, the firm is looking to enter the competitive mid-range smartphone market segment, in which there is currently a high level of demand, after successfully entering the low-range smartphone segment. After its foundation in 2012 MFourtel managed to crack into the smartphone market, selling 220,000 units of its previous two models in Mexico's domestic market, earning a 10% market participation. Since then the firm has expanded its operations to Central and South America, selling 1.5m units by 2013.

Banxico intervenes in currency market

Mexico's central bank (Banxico) announced on 8 December that it would start auctioning up to US\$200m a day in the local spot currency market for an indeterminate amount of time in order to guarantee the availability of US dollars and ease some of the downwards pressure on the value of the Mexican peso.

In recent weeks the US dollar has steadily appreciated against the majority of emerging market currencies in the wake of the US Federal Reserve's decision to end its 'Quantitative Easing' loose monetary policy, which depressed the value of the dollar; and the fall in international commodity prices (particularly oil), which has negatively impacted on the currencies of many of the commodity-exporting Latin American countries.

In the case of the Mexican peso, the exchange rate went from M\$13.54/US\$1 a month ago to M\$14.34/US\$1 in early December, a 5.9% depreciation of the peso and a new two-year low in its value against the dollar. This prompted Banxico to warn on 5 December that if the peso continued to depreciate at this rate, it could produce inflationary pressures; and that it was considering intervening in order to prevent this.

The decision to intervene in the currency markets was announced after a meeting of Banxico's exchange rate commission. A Banxico statement said that in the face of the "recent volatility" in the exchange rate markets, from 9 December until further notice, the bank would sell up to US\$200m a day when the exchange rate depreciates by 1.5% or more compared to the previous day's rate.

The statement added that the measure had been successfully employed by the bank on other occasions in the past to help restore stability to the currency markets. Following the announcement, the peso immediately appreciated by 0.1%, suggesting that it was well received by the markets.

The decision has also been backed by the association of Mexican banks (ABM), which said that it sends the "right" message to market actors that Banxico has the means to manage exchange rate volatility. Yet in a subsequent interview with local media, the president of Banxico, Agustín Carstens, warned that if the peso continues to depreciate against the US dollar in the few remaining weeks of the year this could push up inflation, which is currently running at 3.57%, at the upper range of Banxico's official target range of 3% +/- one percentage point, prompting the bank to increase its benchmark interest rate.

"With that [the decision to sell dollars] we hope that inflation comes to 3%. However, if the exchange rate consistently depreciates, it could affect projected inflation, in which case interest rates will have to go up," Carstens said.

Significantly, Banxico's decision to intervene in the currency market came on the same day that economists from the Bank of International Settlements (BIS) released a report warning that the rapid appreciation of the US dollar could produce the next global economic crisis. The report, co-authored by BIS chief economist, Hyun Song Shin, warned that a stronger dollar negatively affects the balance sheets of firms operating in emerging markets as their profits earned in emerging market currencies are comparatively lower, while their debts (typically incurred in dollars) are comparatively higher. This, in turn, leads to increased risks of default and lower levels of global investment, which could kill off the still tentative economic recovery.

Pérez Molina provokes the private sector**New CSJ president**

At the end of last month Justice Josué Felipe Baquix was sworn in as CSJ president for a one-year term. Baquix has pledged to promote a reform of the 2009 law on the nomination committees tasked with drawing up the shortlist of magistrate candidates from which the 158-member unicameral legislature selects new appointees (*Ley de Comisiones de Postulación*). However, the national daily *Prensa Libre* noted that Baquix has links to Sergio Roberto López Villatoro, the former husband of the daughter of former dictator, Efraín Ríos Montt (1982-1983), reportedly a powerful behind-the-scenes figure in local politics. Baquix's pledged commitment to judicial reform has consequently been met with scepticism.

The approval of the State budget is traditionally a thorny issue in Guatemala. However the ease with which this year's was approved – following a deal between President Otto Pérez Molina's right-wing Partido Patriota (PP) and the main opposition Libertad Democrática Renovada (Líder) – has aroused suspicion not just from civil society groups but also the private sector. The latter has been particularly irate over the inclusion of three new taxes affecting the telecoms, mining and construction sectors, serving as a new source of tension with the PP government ahead of next year's general elections.

Last year the 158-member unicameral legislature (in which the PP has just 44 seats) failed to meet the 30 November deadline to approve the 2014 draft budget meaning that the previous year's budget (for Q\$66.98bn [US\$8.41bn]) was rolled over. On 28 November, however, the executive's proposed Q\$70.6bn (US\$9.2bn) budget was easily approved by 106 votes (including from the PP and Líder which has 52 seats).

The budget's approval prompted concerns from the influential private sector lobby, Cacif, other business groupings like the chamber of commerce (CCG) as well as civil society groups like Acción Ciudadana, the local branch of Transparency International (TI). In a press release dated 3 December, the CCG questioned its "speedy approval", flagging up the abolition of controls on assignments to NGOs. Also cited as a transparency concern, was the fact that the approved budget includes nearly Q\$2bn (US\$265m) for the communication, infrastructure & housing ministry although the precise destination or objective for these funds was not specified.

The private sector's main concern, however, has been the introduction of three new taxes: a Q\$5 (US\$0.65) monthly tax on landlines and cell phones; an increase in taxes on cement from Q\$1.50 (US\$0.20) to Q\$5 (US\$0.65) per quintal sack; and an increase in mining royalties, from 1% to 10%. As regards the telecoms tax, while President Pérez Molina said this was exclusively for companies, private firms have warned that consumers will ultimately foot the bill.

The new construction tax has provoked complaints from the national chamber of construction (CGC) which warns that it will push up construction costs by 6%, jeopardising at least 20,000 jobs next year. Meanwhile the increase in mining royalties, of which 9% will go to central government and 1% to municipalities, has also prompted outcry – both from local mining lobbies like Gremial de Minas y Canteras and international companies like Canada's Tahoe Resources. On 1 December, Tahoe (which owns the Escobal mine in San Rafael), issued a press release stating: "It is unfortunate that Congress wants to raise royalties on precious metals at a time when the industry is struggling and facing the lowest metals prices in four years."

More transparency concerns

The rapprochement between the PP and Líder which facilitated the approval of the budget dates back to agreements which resulted in the dubious election in September of 13 new supreme court (CSJ) justices, 126 appellate court magistrates and their alternates.

As well as transparency concerns over the budget, the constitutional court (CC)'s decision on 20 November to reject appeals against the election is

Transport and migration

The Gleaner also stressed the need “for a tangible improvement in air and sea transportation, without which trade in goods and dual destination tourism is idle talk”, and it noted the “lack of a humane policy on migration – legal and illegal – and the freedom of movement of people among countries of the Caribbean”.

serving as a further complaint for civil society groups. That election was slammed not just by human rights organisations like the Movimiento Pro Justicia (MPJ) but also the United Nations (UN)-backed international commission against impunity in Guatemala (Cicig) and the UN Special Rapporteur on the Independence of Judges and Lawyers, Gabriela Knaul.

The complaints against the judges’ election were various – ranging from the composition of the special commission of legal experts tasked with drawing up the list of candidates (which were ratified by the legislature) to the selection procedure and the voting process itself, with complaints that the posts were divvied up between the PP and Líder [WR-14-45]. These complaints ultimately proved in vain however and on 24 November the new justices took up their posts for five-year terms.

CARIBBEAN | REGION

Caricom-Cuba ties: need for a revamp

The 15-member Caribbean Community (Caricom) ended the fifth Caricom-Cuba summit in Santiago de Cuba on 8 December with the usual call on the US for “an end to the economic, commercial and financial embargo against the Republic of Cuba”. Antigua & Barbuda’s Prime Minister, Baldwin Spencer, the current head of Caricom, said the “transformational change” under way in Washington should “relegate the embargo to history”.

The various regional leaders were all effusive in their praise for Cuba’s generous cooperation with the region in the 42 years since Caricom established relations with the island. Cuba has dispatched over 1,000 doctors to work in its neighbouring countries, while upwards of 2,000 students from the region are studying in Cuba. It also cooperates on a wide array of programmes focusing on health care, education, engineering, human resources, sports and disaster management among others, according to local press reports marking the summit.

“These projects... are not based on the rules of neoliberalism, which today are collapsing like a house of cards,” Cuba’s President Raúl Castro told the assembled leaders. “They do not chase after comparative advantage or maximum profit, they promote development, justice, equality and well being.”

A leading Jamaican daily, *The Gleaner*, ran a dissenting editorial, however, complaining that the summiters talked shop without addressing the key issues facing the region. It bemoaned the fact that the summit was big on rhetoric and short on substance, noting the failure to discuss the future of discount Venezuelan oil through the regional Petrocaribe programme and the potential impact of the global oil price shock.

More notably, *The Gleaner* also argued that Caricom “needs to move the relationship with Cuba away from always being supplicants for more doctors and scholarships. After all, Cuba is a poor developing country with a per capita income lower than that of Caricom countries.”

“Solidarity must include some sort of reciprocity. Apart from opposing the US embargo against Cuba, commendable as that is, what are the governments of Caricom sharing with Cuba? Are we providing training in hotel management, coaching in athletics, scholarships to the University of the West Indies, language training, improving democracy and technical advice on managing a private sector-oriented economy? Must we always have our hand out in supplication? Why not offer a helping hand to our poor brothers and sisters in Cuba?” it ended.

Quotes of the week

“Overcoming poverty is the region’s moral imperative because democracy without opportunities is just elections.”

Ecuador’s President Rafael Correa.

“If you want to move fast, go alone, but if you want to go far, go accompanied.”

Rebeca Grynspan, the new secretary general of the Organisation of Ibero-American States (OEI).

“[Guantánamo is] not a prison but a kidnapping den because a prison presupposes subjection to a legal system, the presence of prosecutors, the rulings of a judge ... and a minimum reference point from a juridical point of view.”

Uruguay’s President José Mujica.

Uruguay welcomes Guantánamo detainees

Six inmates from the US detention camp in Guantánamo, Cuba, arrived in Uruguay early on 7 December. They were taken to a military hospital for health checks upon their arrival. “It is going to be like what our parents and grandparents did when they came here, persecuted by suffering and war,” the defence minister, Eleuterio Fernández Huidobro, said. “Uruguay is a country of immigrants. They are going to have to find work and if they want to they will be able to bring their families,” he added.

One of the prisoners, Abd Al Hadi Omar Mahmoud Faraj, a Syrian, dictated a letter to his lawyer in which he said that he and his fellow prisoners would “offer only goodwill and positive contributions to Uruguay while we learn Spanish and restart our lives here”. He immediately set about endearing himself to the Uruguayan public by revealing that he had closely followed the Uruguayan football team’s exploits in the Fifa World Cup earlier this year. Faraj thanked the US ambassador, Julissa Reynoso, and especially President José Mujica for his “noble act of solidarity”.

Mujica wrote an open letter to his US counterpart Barack Obama on 5 December in which he underscored his willingness to receive the six men (four Syrians, a Palestinian and a Tunisian) on humanitarian grounds. “We have offered our hospitality for human beings who suffered an atrocious kidnapping in Guantánamo,” Mujica said. He added that it would have been “cowardly” not to assist Obama in his attempt to close the detention camp and “redress an awful wrong” he had inherited from his predecessor.

Mujica, a former Tupamaro guerrilla who spent more than a decade in solitary confinement, reiterated in an interview with Uruguay’s state television while attending a summit of the Union of South American Nations (Unasur) in Ecuador that he had rejected a US proposal to ban the detainees from travelling for two years after their release. “They are coming as refugees and the first day that they want to leave, they can leave,” he said.

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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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