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Venezuela erupts in violence as Maduro grapples with economy

Three people were killed, and more than 20 injured, on 12 February as pro- and anti-government marchers clashed in Caracas. Venezuela's government blamed the opposition for the violence, accusing it of plotting another coup; the opposition blamed pro-government militants for trying to break up a legitimate protest. The march was the culmination of two weeks of protests in several states calling for President Nicolás Maduro to go. Maduro is facing a concatenation of problems, especially in the economic sphere, and has resorted to desperate measures to try and redress food shortages and find a quick fix for the arcane currency exchange system. The opposition is split on how to capitalise on his travails: radicals advocate an aggressive strategy; moderates a peaceful campaign to 'win hearts and minds'.

The protest march in Caracas was organised by Leopoldo López, a prominent opposition figurehead, and María Corina Machado, a deputy for the Mesa de la Unidad Democrática (MUD) coalition, to mark national youth day and the 200th anniversary of the student defence of the city of La Victoria, in the modern state of Aragua, during the war of independence. Some 10,000 opposition supporters, mostly students, took part in the protest march. President Maduro claimed on state television that the march had been infiltrated by "small fascist groups" intent on "toppling the government through violence". He banned further street protests. López accused the government of deliberately causing the violence to stigmatise the opposition, which only wanted to stage a peaceful march.

Both López and Machado accused 'colectivos', militant pro-government groups, in the counter-march of attacking the protesters. Diosdado Cabello, the head of the national assembly, claimed that a municipal police officer and 'colectivo' member had been "mobbed by fascist hordes and brutally murdered". He did not comment on the two students who were also shot dead in the violence. "We are going to act, there will be no more impunity," Cabello added. Maduro promised to apply the full rigour of the law and constitution on "destabilising coupsters". An arrest warrant was swiftly issued for López for fomenting the violence.

López and Machado have supported several protests by students over the last two weeks, mainly in the western states of Táchira and Mérida and in Caracas, during which dozens of arrests were made, spawning more protests. López claimed he was prevented from boarding a plane to Táchira on 10 February to participate in one such protest.

The street protests have exposed differences at the top of the MUD. López and Machado argue that the opposition must move to curtail Maduro's mandate "peacefully and by constitutional means", by means of unremitting street protests forcing him to resign or undermining his support ahead of a recall referendum (not legally permitted until 2016). "We have to protest on

Aló Presidente (de la asamblea nacional)

The president of the national assembly, Diosdado Cabello, presented his first television programme this week - 'Con el mazo dando', part of the proverb 'God helps those who help themselves'. It will have a regular one-hour slot on Monday nights on the state Venezolana de Televisión (VTV). Sitting in front of giant images of the late president Hugo Chávez (1999-2013) and the Liberator Simón Bolívar, Cabello indulged in a lengthy monologue, taking aim at the opposition, which he accused of being behind the contraband of goods to Colombia. President Maduro, whose own programme 'Diálogo Bolivariano' has not been going out on a weekly basis as planned, appeared on the first programme, which consequently doubled in length to two hours.

the streets, as a moral and patriotic duty; if not now, then when? And if not us, then who?" López asked rhetorically this week.

The governor of Miranda and erstwhile leader of the MUD, Henrique Capriles Radonski, whose authority has been steadily eroded after effectively suffering three electoral defeats in 14 months, indirectly answered López by arguing that street protests would backfire, strengthening the government by allowing Maduro to denounce the opposition as saboteurs and coup-plotters. Capriles wants to play the long game. He said it was pointless going to a square "to speak among ourselves" when "we need to connect to the country as a whole with a big social movement, including all Venezuelans […] irrespective of their political vision". He argues that it is imperative to reach out to disillusioned government supporters, who are waiting to see what the opposition's proposal for the country is "in the face of the present chaos – and this cannot be more chaos".

Capriles says the opposition must listen to the daily concerns of Venezuelans. There is no daily concern bigger than the shortage of food and other basic goods: visiting a supermarket this week, Capriles tweeted a photo of an empty shelf, and another with, "miraculously", mustard. Maduro launched "the start of the second phase of the economic offensive" at midnight on Monday - a military metaphor referring to the implementation of the new 'law of just prices' which he promulgated on 23 January. This prohibits profit margins of more than 30% on businesses, and imposes draconian sanctions of up to 14 years in prison for 'hoarders and speculators', as well as fines of up to US$850,000. "Tomorrow the bourgeoisie is going to squeal," Maduro said on 10 February on the first edition of Cabello's new television programme (*see sidebar*). He added that "nobody has any excuses because the law has been published for three weeks".

Maduro has created a new entity to combat shortages, comprising the food and industry ministries and presided over by Vice-President Jorge Arreaza, to produce a "complete map of the distribution and commercialisation of products" in Venezuela. He also appointed Women's Minister Andreína Tarazón to head another new body, the national superintendence for the defence of Venezuela's socio-economic rights (SUNDDE), to ensure compliance with the 'law of just prices'. Tarazón promptly denounced all 'hoarders' as "war criminals", and announced that the SUNDDE would train 480 prosecutors to enforce the law. Representatives of communes have also been empowered to carry out inspections and denounce speculators. Tarazón dismissed the threat by the business federation Fedecámaras to take legal action to overturn the law as "risible", saying it was "like a thief or a rapist trying to get the penal code nullified".

One of the most serious crimes in the 'law of just prices' is contraband smuggling. Foreign Minister Elías Jaua met his Colombian peer María Ángela Holguín in Maracaibo, the capital of Venezuela's border state of Zulia, on 6 February to sign an accord to create a 'binational centre for coordination against contraband', which will involve the security forces of both countries. In a sign of how concerned the government is about the smuggling to Colombia of goods subjected to strict price controls at home, Cabello appeared on television on 5 February in an operation confiscating 939 tonnes of food, primarily rice and sugar, in Táchira.

The opposition argues that contraband is merely a convenient scapegoat for the government, whose maladroit economic management is the root cause of the problem: price controls and currency exchange controls provide no incentives to produce and deprive companies of dollars to import. Maduro announced new currency exchange regulations, Sicad 2, this week to "allow more supply of dollars from sources other than the State". He did not provide any hard details but this (third) dollar allocation system constitutes another desperate attempt to combat food scarcity and rampant inflation.

PERU | POLITICS

Cabinet change with a difference

When Prime Minister César Villanueva was appointed three months ago, it was amid a clamour for a sweeping cabinet reshuffle, especially after a political crisis within a week of his taking office claimed the scalp of the interior minister. When a cabinet change finally did come last weekend it is fair to say it was not quite what public opinion, still less the political opposition, had been anticipating, as it involved pay rather than personnel. On 8 February the media got wind of a plan to all-but double the salaries of cabinet ministers and other officials, leaving President Ollanta Humala facing a stiff headwind of criticism on his flight to Colombia for a key Pacific Alliance summit (*see page 16*).

The economy and finance minister, Luis Miguel Castilla, had the unenviable task of facing a media scenting blood to explain the decision to double the salary of ministers and other officials to NS$30,000 (US$10,600) per month. Castilla bemoaned the difficulty of recruiting good professionals, arguing that improving the efficiency of the State requires investing in human capital at the service of the population. He said it was essential to narrow the widening gap between public and private sector salaries: a manager in the private sector earned an average of NS$60,000 a month, he said.

Castilla called on all sectors of society not to politicise the salary increases. He said the increase only affected 250 people, including ministers and the managers and director generals responsible for dealing with the 25 regional governments and 1,800 municipalities. He added that it was part of a systematic reform of public sector salaries, following the judiciary, armed forces, police, teachers, doctors and nurses. But the scale of the increase, when the minimum wage has been frozen for three years, provoked a torrent of criticism, especially when, groping for the *mot juste*, Villanueva said that "To carry out a reform like this requires courage". He was duly vilified in the social media.

Villanueva did have a point, however, that ministers had been earning more eight years ago, when the salary was NS$33,500: it was cut in half in a populist move by former president Alan García (1985-1990; 2006-2011) upon taking office in July 2006. García, unsurprisingly, was one of the staunchest critics of the increase, arguing that lifting the salaries of specialised professionals was one thing; that of handpicked politicians, quite another. He said it was "scandalous" that ministers would be earning 40 times the minimum wage. "Are they taking advantage of national enthusiasm over The Hague to double wages of the top bureaucracy?" he tweeted rhetorically in reference to the decision by the International Court of Justice (ICJ) at The Hague to issue a favourable verdict for Peru in its maritime dispute with Chile less than two weeks earlier [WR-14-04]. "The people will stop this injustice," he added, an allusion to January 2013 when a public outcry forced congressional deputies to annul an increase to their representation bonus, which had brought their salaries up to NS$30,000 a month.

With this in mind, opposition deputies smelt revenge. Pedro Spadaro, a deputy for the Fujimorista Fuerza Popular, described the salary increase as nothing short of "barbarous". He accused President Humala of riding roughshod over the 2006 austerity law (which established a fixed hierarchy for official salaries) by issuing a presidential fiat - Humala had approved the salary increases by supreme decree.

Víctor Andrés García Belaunde, a legislator for the opposition Acción Popular-Frente Amplio (AP-FA), quipped that it was "regrettable that a government that makes social inclusion a State policy ends up with ministerial inclusion; this is an insensitive and frivolous government which not only

Unions speak out

The vice-president of the umbrella trade union, Confederación General de Trabajadores del Perú (CGTP), Olmedo Auris, described the decision to raise the salaries of cabinet ministers and other officials as "an abuse of authority that deepens discrimination and social injustice". The CGTP is an estranged ally of President Humala, whose allies have dwindled disturbingly since he came to power in July 2011. Not something to celebrate as he reaches the halfway point of his term in office.

increases but doubles the wages of ministers who are short-term passengers chosen to serve the country and not to earn more." He said it was "a slap in the face for the poor" from "a totally discredited cabinet".

Only the leader of the conservative Partido Popular Cristiano (PPC), Lourdes Flores, stuck up for the government, saying it was essential to attract qualified people to official positions. Flores said she would support the decision "come hell or high water".

Castilla was least convincing when he denied the government was seeking to cash in on the favourable ruling at The Hague by approving an unpopular measure now. He said the latest opinion poll, which showed Humala climb eight percentage points to an approval rating of 39% and reverse a downwards trend since last August, had come out after the salary increases had been discussed at cabinet level. Castilla was summoned to appear before the congressional labour committee on 12 February, along with Villanueva and the justice minister, Daniel Figallo, to explain the salary decision. The three men repeated the same line of defence used with the media. The AP-FA subsequently revealed that it was mulling whether to seek support to try and annul the supreme decree.

COLOMBIA | POLITICS

Could Ramírez become Uribista candidate?

Francisco Santos has made a dramatic and controversial return to political life in Colombia after a self-imposed absence. Santos, who was overlooked by Cambio Democrático (CD), the party of former president Álvaro Uribe (2002-2010), in a convention last October despite opinion polls suggesting he was the one politician capable of defeating President Juan Manuel Santos, his cousin, in May's presidential elections, threw his weight behind Marta Lucía Ramírez, the recently selected presidential candidate of the Partido Conservador (PC), saying she was capable of "winning the heart of *Uribismo*".

Francisco Santos has an axe to grind. He made it clear last October that he felt the deck had been stacked against him at the CD convention which selected Óscar Iván Zuluaga as the party's candidate. Santos still feels aggrieved. He said last week that the convention had been taken over by politicking and that Uribe had made a mistake by listening to "the clamour of a few" rather than holding a public consultation. While it could be argued that Santos is championing Ramírez now out of spite, he maintains that he felt compelled to speak out for the sake of *Uribismo*. "I don't know if it's his (Zuluaga's) talent, or his speechmaking, but he has not managed to fill the *Uribista* soul after two years (of campaigning)."

The CD was stung into issuing a declaration underlining its support for Zuluaga. But if Zuluaga fails to pick up in the polls, this support could weaken and Uribe, who has a high regard for Ramírez, might just heed the advice of his disgruntled former vice-president. Ramírez trails Zuluaga in the most recent opinion poll on the electoral race, released on 11 February by Invamer-Gallup - but barely. He won 10.8% backing compared with 8.5% for Ramírez.

President Santos topped the poll on 34.7%, but 28.1% of respondents are undecided or threatening to cast blank ballots. This creates enough uncertainty to suggest that an alliance between Ramírez and Zuluaga could trouble President Santos. In an interview with the national daily *El Tiempo* on 10 February, Ramírez thanked Francisco Santos for his backing. She categorically ruled out being Zuluaga's running mate but, when pushed, she said that "it could be a possibility" for him to stand on a joint slate with her if he could accept being a vice-presidential candidate. She said that "only *Uribismo* can say whether a coalition (behind her) is possible", adding that "personally I would feel very honoured to count on its support".

Maritime dispute

"Chile will have to evaluate whether it stays in the Pacto de Bogotá or leaves," President Sebastián Piñera said during an interview with Chile's national television while attending a summit of the Pacific Alliance in Cartagena de Indias, Colombia, this week. Colombia left the Pacto de Bogotá, which recognises the sovereignty of the International Court of Justice (ICJ) in border disputes, after an adverse ruling in a maritime dispute with Nicaragua. Two days earlier foreign and defence ministers of Chile and Peru held a 14-hour meeting in Santiago where they agreed to define the coordinates of the maritime border, fixed by the ICJ, by 25 March. This could be complicated by Peru's claim to a "land triangle" of 3.7 hectares created by the ICJ's maritime ruling. Piñera announced that his government had sent a formal letter of protest to the Peruvian government disputing its claim.

TRACKING TRENDS

COLOMBIA | **La Santé poised to go global.** On 6 February Colombian pharmaceutical firm, La Santé, announced that it had successfully completed the acquisition of Pharmetique S.A., the local subsidiary of German pharmaceutical giant Boehringer Ingelheim, for an undisclosed amount. The deal allows La Santé to consolidate itself as the main player in Colombia's pharmaceutical industry and provides it with a solid platform from which to continue to pursue its rapid internationalisation. In recent years, La Santé has emerged as one of the region's 'multilatinas', with operations in 12 different Latin American countries, all of which allowed it to post US$360m in sales last year.

La Santé CEO, Charles Bevan, said that the acquisition of Pharmatique, which produces prescription and over-the-counter drugs in Colombia, would allow the firm to increase its worth by around 30% and increase its production capacity by 50%. Currently La Santé has three production plants in Colombia and one in Venezuela. Bevan pointed out that it would also put the firm "at the forefront of production processes" as Pharmatique is one of the most technologically advanced pharmaceutical firms in the world with its production techniques "coming straight from Germany".

Bevan said that following the acquisition, the firm expected to expand its business by between 19% and 30% over the next couple of years, with plans to start exporting medicines to Mexico and Africa by 2016; and to the US, Russia and Central Asia in the near future. In fact Bevan said that La Santé is already conducting preliminary studies on the dermatological products' market - one of the firm's strong points - in both the Mexican and African markets.

Explaining the firm's expansion strategy, Bevan said that 15 years ago its founder, Carlos Vallecilla, realised that it was fundamental to "read the future and anticipate events" and that, as a result, in recent years La Santé had adopted a strategy of acquiring firms that would allow it to undergo an quick internationalisation process in "anticipation of the signing of [Free Trade Agreements] FTA's". Since 2011 Colombia has signed FTAs with all its Pacific Alliance partners (Chile, Peru and Mexico) as well as the European Union (EU) and the US, all of which La Santé is now in a good position to exploit.

ECUADOR | **América Móvil fined.** On 9 February Ecuador's market power superintendence (SCPM), the country's anti-trust body, announced that it had decided to fine Consorcio Ecuatoriano de Telecomunicaciones (Conecel), the local subsidiary of Mexico's América Móvil, some US$138.5m for market abuse practices. According to SCPM, the decision to fine the firm 10% of its sales reported in 2012 was taken as a result of a complaint presented by the state-owned telecoms firm, Corporación Nacional de Telecomunicaciones (CNT), in October 2012.

CNT accused Conecel, which has a dominant 67% share of the Ecuadorean telecoms market, of making owners of properties in which it has erected its telecoms infrastructure sign exclusivity contracts in violation of anti-monopoly laws. According to CNT, 83% of Conecel's contracts include a clause which forbids property owners from allowing other telecoms firms from installing similar equipment in their properties and forces them to pay a penalty if this clause is breached. CNT argues that this practice has largely prevented it from expanding its coverage and improving its service provision.

Conecel has denied these allegations, which it says are "malicious and reckless". It says that CNT has provided no substantial evidence that the firm has at any point prevented CNT, which currently only has a 2.5% market share, from developing and expanding its network. Conecel says that it has presented SCPM with "solid evidence" that discredits the accusations made by CNT and has "shown that this firm could without any transactional or additional economic costs set up telecommunications infrastructure sufficiently close to our own infrastructure". As such, Conecel has rejected the "unjust" fine levied against it by the SCPM, arguing that in addition to there being "serious inconsistencies" in the SCPM decision-making process, "the magnitude of the sanction violates the constitutional principle of proportionality of penalties". It says that it will challenge the decision in the local courts.

This is not the first time that Conecel has encountered problems in Ecuador. In 2012 the firm was forced to pay US$193m in backdated taxes dating from the 2003-2006 period after losing a court case.

Venezuelan remittances

On 10 February the Venezuelan government announced the temporary suspension of all remittances from Venezuelan nationals sent to family members in Colombia until further notice. An official statement said that the measure stemmed from the recent agreement signed by the Venezuelan and Colombian governments under which the two agreed to work together to combat the contraband of goods across their borders. As part of the deal the two countries agreed that in the future Venezuelan remittances would be made in Colombian pesos rather than US dollars in a bid to stop individuals in Venezuela from taking advantage of the preferential US dollar exchange rates offered by the government for importers to buy currency and transfer it to Colombia. The statement explained that the suspension will remain "until this new mechanism is put in place".

BRAZIL | POLITICS

PSDB starts to fret about '*mensalão mineiro*'

Given the scale of the *mensalão* cash-for-votes scheme, and the fact the Brazilian media is largely hostile to the ruling Partido dos Trabalhadores (PT), it is perhaps unsurprising that the fallout from the scandal continues to dominate the press. Last week the PT stalwart and former president of the Banco do Brasil, Henrique Pizzolato, was arrested in Italy after fleeing Brazil on a false passport following his conviction. This week a row between supreme court justices over the prison conditions imposed on José Dirceu, the former chief-of-staff of ex-President Lula da Silva (2003-2010), dominates the headlines. But steadily the Partido da Social Democracia Brasileira (PSDB)'s own proto-*mensalão* scandal is starting to creep up the news agenda, as the supreme court prepares to rule on the case later this year.

Brazil's attorney-general, Rodrigo Janot, accuses a number of PSDB members of using state companies to sponsor sporting events via the marketing company SMP&B. One of the company's partners was Marcos Valério, one of the architects of the PT's *mensalão* scheme. Valério would use the money from the sponsorship deals to cover the fraudulent loans he made to the re-election campaign of Eduardo Azeredo, then the PSDB governor of Minas Gerais, now a federal deputy.

Azeredo faces up to 22 years in jail if the supreme court accepts Janot's case. In his defence, he has repeatedly argued that he is as "innocent as Lula", meaning he could not be expected to know everything that his underlings were doing in his name. The PSDB, however, is growing increasingly uncomfortable with this line. Not only does it at least implicitly acknowledge the existence of such a scheme, it also exonerates Lula.

Brazil's opposition parties have been desperate for years to find the smoking gun that would link Lula to the *mensalão* scandal. So far, all their attempts have been in vain. Last week, Lula pointedly did not rule out an attempt to run for office again in 2018. If it is still too early to predict the outcome of the October 2014 elections, then clearly 2018 is still a long way off. Lula retains, however, a remarkably high level of personal popularity, even among those with a limited appetite for his party. As such, he is still feared by the PSDB and Brazil's other opposition parties.

Azeredo was due to speak in congress later this week, but he withdrew the request, citing ill-health. It is widely suspected, however, that PSDB leaders put pressure on him to shut up. "Every time he speaks, the matter just becomes more complicated," Izalci Lucas, a PSDB deputy for the Distrito Federal, said. "It would be good if he stopped."

Aécio Neves, the PSDB's likely candidate for the presidency, has refused to be drawn on Azeredo's defence, insisting that it is not a party matter. "We are going to wait and respect the judgement of the supreme court," he said. But the scandal is lapping closer. On 12 February *Folha de São Paulo* revealed that another man accused of involvement in the scheme, Eduardo Guedes, was a close political advisor of Neves. A longtime campaigner for the PSDB in Minas Gerais, Guedes was also a partner in Pensar Comunicação Planejada, a company hired by Neves to offer communication advice to the party.

The mudslinging begins

Neves has started a more aggressive style of campaigning against the PT. The PSDB candidate claimed the party was "on the verge of a nervous breakdown" following a few clumsy barbs from President Dilma Rousseff on her "pessimistic" opponents.

US Fed calls Brazil 'vulnerable'

After Turkey, Brazil is the most vulnerable of the emerging market economies, according to the weekly bulletin of the US Federal Reserve. The index was based on six factors, including current account balances and foreign currency reserves relative to economic output. The Fed analysis found that the most vulnerable countries tended to experience the biggest currency depreciations as well as larger increases in interest rates for government borrowing.

Eduardo Campos, from the Partido Socialista Brasileiro (PSB), has taken a more subtle approach. While the PT launched a somewhat intemperate attack on Campos, a former science and technology minister under Lula, calling him a "spoiled playboy", the Pernambuco governor has kept quiet, merely reposting hostile commentary about the government from leading business figures on his Facebook page.

BRAZIL | POLITICS

Protests in Brazil: Striking the wrong target

The cost of a bus ticket in Rio de Janeiro rose 9% on 8 February to R$3 (US$1.20). Protests against the planned fare hike in the city had flared sporadically since the beginning of the year. Days before the new fare took effect, protesters demonstrated in and around Rio's central station. Predictably enough, a small hard-core sought to provoke the police. To nobody's surprise, the police responded with tear gas and truncheons. Santiago Andrade, a TV cameraman for Bandeirantes TV, was hit on the back of the head by shrapnel from a home-made firework. While he lay in hospital in a medically induced coma, an ugly argument raged over whether his injury represented a new low for 'Black Bloc' protesters or another example of the Brazilian media's hypocritical indifference to victims of police violence. On 10 February, Andrade died. His death may have a significant impact on the policing of public protests in the run-up to the World Cup in June.

President Dilma Rousseff promised the assistance of the federal police in the investigation to find those responsible for Andrade's death. At a press conference on 11 February, the justice minister, José Eduardo Cardozo, released images of the prime suspect, Caio Silva de Souza, a 23-year old hospital porter from Nilópolis, in the interior of the state of Rio de Janeiro. Later that evening, he was arrested in Bahía. A TV crew from *O Globo* happened to be on hand at the moment of his arrest. Local news channels followed his flight back to Rio live.

At the same conference, Cardozo announced the government was studying how to handle violence at public protests. The tools at its disposal include a 'national public security force', comprising 10,000 military police and civilian volunteers, deployable when required by local police forces. The armed forces are another option, available only on the direct request of the president or state governor. The Brazilian intelligence agency (Abin) is establishing control centres in every city due to host World Cup games. The ministry of justice has also just spent R$40m (US$16.5m) on (supposedly) non-lethal weapons, such as tear gas.

Legislation

Meanwhile, congress is also acting. Renan Calheiros, the president of the senate, has proposed creating a law which defines an act of terrorism. At present no such law exists; most public disorder offences are prosecuted under the national security law, a relic of the dictatorship. José Mariano Beltrame, Rio state's security secretary, is also working on the draft of a law that would prohibit the incitement of disorder in a public place and the use of masks during protests.

Regardless of the law, the blanket coverage of Andrade's death and the manhunt for De Souza may start to change the dynamics of the protests. 'Black Bloc' protesters have depended for their efficacy on being able to infiltrate demonstrations convened against contentious public policy issues (such as teachers' pay and bus fares). Now, it is far less likely that concerned citizens will attend rallies that could turn violent. "The victim was a journalist, but it

MST adds to the mix

Some 20,000 members of the Movimento dos Trabalhadores Rurais Sem Terra (MST) descended on the Praça dos Três Poderes in Brasília on 12 February, demanding that President Rousseff revive land reform efforts. The MST, which is celebrating its 30th anniversary this year, normally mobilises in April (to mark a massacre known as 'Abril Vermelho' [Red April] in 1996, when military police shot dead 21 rural protestors in the state of Pará). Ahead of October's elections, however, the group is on the early offensive. The MST, which has strong links to the ruling left-wing Partido dos Trabalhadores and was key to the election of former president Lula da Silva (2003-2010), accuses his successor Rousseff of ignoring its demands in favour of the powerful agri-business sector. Accompanied by teachers linked to the MST, some 750 children calling themselves 'sem-terrinha' staged a separate demo at the education ministry, protesting rural school closures.

could have been anyone," Rodrigo Stumpf González, a political scientist, said. "This must dissuade part of the population [from attending protests], and the more violent groups will become more visible, more isolated."

'Black Blocs' interviewed by the Brazilian press have expressed their sympathy with Andrade, but are eager to point out the many victims, both targeted and accidental, of the military police. One sociologist present at another bus fare protest earlier this week, however, said Andrade's death appeared to have moderated the demonstrators' appetite for destruction. "They did not get carried away this time, or start smashing things," Albar Zaluar, a visiting professor at the Universidade do Estado do Rio de Janeiro (Uerj), said. "This is our battle now: to convince them that this is not getting them anywhere. It is just a very great inconvenience to the city."

Energy prices may rise

Brazilian energy consumers could face price rises of up to 4.6% this year, following a R$5.6bn (US$2.3bn) overspend by the Conta de Desenvolvimento Energético (CDE). The CDE, one of President Dilma Rousseff's pet projects, was a fund set up to help reduce the cost of electricity through subsidies to social programmes such as Luz para Todos. The 4.6% increase would come on top of expected price rises to be announced by individual energy suppliers. It will have a direct impact on inflation. One economist quoted in *O Estado do São Paulo*, Flávio Combat, said that if the increase does go through, he would expect inflation of 6.3% in 2014. The price rise would also eat into the 20% cut in electricity bills mandated by Rousseff in January last year.

BRAZIL | ECONOMY

The shop-athon is over

Retail sales fell in December for the first time in nine months, resulting in a full year result of 4.3%, the weakest in a decade (in 2003 the sector rose 3.67%) according to latest data from the national statistics institute (Ibge). Sales unexpectedly fell 0.2% month-on-month (in volume terms) ahead of the Christmas season, though they were still up 4.0% in volume terms over the previous December.

Brazilians have lost their lust for shopping amid slowing job growth, rising interest rates and the impact of higher inflation on their take-home pay. Consumer confidence in January fell to its weakest level since mid-2009, according to the main ICC index compiled by the Fundação Getulio Vargas (FGV). The FGV polls 2,000 families in the seven main cities for the ICC, which measures the willingness of families to make purchases of a basket of consumer goods and gauges expectations about employment, income and economic opportunities. The index ranges from 1-200, with 100 considered an indicator of neutral sentiment. It ended January 2014 at 108.9 points, down from 112.5 in December. That was the lowest since June 2009, when it dipped to 108.7 points in the midst of the global economic crisis.

A wider Ibge retail sales index including the automotive and construction sectors fell 1.5% month-on-month in December after car sales dropped sharply (3.4%). That index rose 3.6% overall in 2013.

Critics of the government of President Dilma Rousseff say that its policy focus on tax breaks aimed at stimulating consumption have run out of mileage. The government argues that these polices were only ever intended as temporary measures to prop up growth during the crisis and that its new focus is on investment-promotion polices so as to facilitate private sector-led domestic economic output over the medium term.

Rousseff brings back Lula's agri chief

Ex-president Lula's former agrarian development minister, Miguel Rossetto of the ruling PT (who served between 2003 and 2006), is set to take up the post for a second time in the coming days. Rossett will replace the PT's Pepe Vargas, who is stepping down to bid for a federal deputy seat in October's general elections. Rossetto is currently the president of Petrobrás Biocombustível and is said to have good relations with both the big agri sector and the small farm sector. As such, his return may be aimed at re-building relations between the government of President Rousseff and the MST ahead of the election.

A privatisation, by any other name

"There is no re-privatisation of the railway network," Florencio Randazzo, the interior & transport minister, said on 12 February. Most commentators, however, begged to differ. An announcement by the government earlier in the day handed the management of two of the commuter lines in Greater Buenos Aires, Mitre and San Martín, to Roggio, one of Argentina's largest infrastructure groups and the majority shareholder in Metrovias, which manages the Buenos Aires metro. The Belgrano Sur and Roca lines will be operated by the Emepa group. Both local companies have a long history of receiving government contracts for trains and other public works. This development is one of the latest government moves to steer the economy in a more orthodox direction to prevent a collapse in the value of the peso and keep a lid on inflation.

Years of frozen ticket prices on the trains have limited the investment needed to modernise Argentina's aging railway network and contributed to a series of deadly accidents. In February 2012, 51 people were killed and 700 were injured when a train on the busy Sarmiento line failed to stop at the Once station in downtown Buenos Aires and ploughed into a platform. In June 2013, two passenger trains collided on the same line, killing three and injuring more than 100. Then, in October, more than 80 people were injured on the Sarmiento line when a train again failed to stop at the Once station.

Following the accident in October, Randazzo announced that the Sarmiento line would be operated by the state-run Sociedad Operadora Ferroviaria Sociedad del Estado (SOFSE). Though the government's latest decision does not affect the running of the Sarmiento line, it will help the government to avoid the monumental task of paying for upgrades on the lines operated by Roggio and Emepa. Given the other pressures on government coffers, not least that expected from public sector wage negotiation rounds, Randazzo's decision buys some respite.

Randazzo, however, insisted the only thought in the government's mind was the best interests of passengers. "We've put in place a new operating regime that requires companies to present annual plans with respect to train frequency and maintenance, station cleaning and service quality," he said. "We've established a strict penalty regime that sanctions them in the event they do not meet these guidelines." The minister also promised further investment on state-run lines.

New inflation index

At the time of going to press on 13 February the Argentine government was about to unveil its new national consumer price index (IPCNU). Argentina has been under severe pressure from the International Monetary Fund (IMF) to improve the methodology by which it calculates inflation. While the official rate put inflation in 2013 at 10.9%, private sector economists put the figure at around 28.3%. On 12 February, opposition leaders in congress released the monthly index that takes an average of private estimates, claiming prices rose by 4.61% in January, the highest monthly rise since 1991.

Instead of only measuring data of the metropolitan area, the new price index will take into account price variations of all the provinces except the city of Buenos Aires, which chose not to be part of it. The index will be published monthly and will use a fixed basket of goods and services. No details have been released yet over the methodology but in previous statements government representatives have said 200,000 prices will be measured by 500 pollsters in 100 locations nationwide.

The government is yet to publish the January figure. Given the steep fall in the value of the peso, and the consequent sharp rise in the cost of transport, fuel, food, electronics and domestic appliances, the figure is expected to be high. Many private sector economists, however, stung by years of official manipulation of inflation statistics, doubt the government will be honest.

Wage demands

On 12 February, President Cristina Fernández met the leaders of the government-aligned faction of the Confederación General del Trabajo (CGT) umbrella trade union to discuss the upcoming March collective salary negotiations. While Fernández did not demand the leaders limit themselves to a particular percentage increase, she did insist that the wage negotiations be held on a yearly, and not six-monthly basis. A recent meeting of provincial governments concluded that union leaders' demands for salary increases should be capped at 25%.

Chile's rising salaries

On 6 February Chile's national statistics institute (INE) revealed that according to its wage index, wage levels increased by 5.5% in 2013. INE said that the overall increase was driven by a 6.5% increase in the wages of employees of small-sized firms followed by medium-sized firms (6.2%) and large firms (5.2%). The result not only highlights the resilience of Chile's domestic economy but also suggests that the economic benefits produced by its sustained growth are being transferred to the population. However, on 10 February, Universidad de Chile published a study that found that despite the constant increase in wage levels in recent years, Chile's wealth distribution remains highly unequal, with the richest 10% of the population earning 5.6 times more than the poorest 10%.

TRACKING TRENDS

PARAGUAY | **Encouraging economic news.** The ratings agency, Moody's, upgraded Paraguay's sovereign bond ratings last week from Ba3 to Ba2 with a positive outlook citing an improvement in the public finances, increased political stability and the approval of significant economic reforms in the past few months. According to Moody's, since President Horacio Cartes took office in August last year, Paraguay's debt has fallen from an average of 18% of GDP between 2003 and 2012 to 12.7% in 2013. Moody's said that this was largely the result of the new government's smooth transition into power and the approval of a number of economic measures by the new congress such as the law of fiscal responsibility and a new public-private partnership law.

The upgrade by Moody's came less than a week after another ratings agency, Fitch, also upgraded its rating of Paraguay's bonds from BB- with a stable outlook to BB- with a positive outlook on 31 January. Besides also citing the newly approved economic measures as the basis for its decision, Fitch also highlighted the country's economic growth momentum, pointing out that it posted an enviable growth rate of 13.6% last year and that official growth forecasts for this year, of around 5%, were "attainable".

Before all this, there was another piece of highly encouraging news for the Paraguayan economy when, on 26 January, the London-listed oil firm, President Energy, revealed that an independent audit of three of its concessions in the Pirity field, located in Paraguay's Chaco region, had confirmed the existence of potential oil reserves of 1bn barrels. This is much higher than the 150m barrels of possible reserves previously cited by Paraguay's public works ministry.

Paraguay does not currently produce any oil and although in recent years a number of different firms have been prospecting for oil, drilling 49 wells (43 of them in the Chaco), until now none of them have been found to have commercially viable levels of reserves.

URUGUAY | **Continued resistance to Aratirí.** On 10 February hundreds of environmental activists demonstrated in Uruguay's capital, Montevideo, in rejection of the imminent signing of an agreement between the Uruguayan government and the mining firm, Zamin Ferrous, which would allow the firm to excavate an open-pit iron ore mine on the borders of Durazno, Florida and Treinta y Tres departments, in the centre of the country.

The controversial US$3bn Aratirí mining project has been in the pipeline since 2011, when the government led by President José Mujica first announced the plans, which involve the exploitation of a 6,210 hectare plot, a 212km mining duct and a new port on the Atlantic. However, the project has been rejected by the local community, environmental groups, and the political opposition, all of which expressed concerns about the negative environmental impact that such a large mining project would have in an area of the country that is traditionally dependent on agriculture. Concern surrounding the project was such that it forced the Mujica administration to suspend it temporarily until it got new legislation regulating large-scale mining operations in the country approved in congress. This new legislation was approved in September 2013.

The government argues that the new legislation provides sufficient environmental safeguards and ensures that the country is appropriately compensated for the exploitation of its mineral resources. Opponents of the project remain unconvinced, however, arguing that the adoption of new legislation does not change the fact that the development of such a large project would severely impact the local environment and the lives of the local community. Germán Parula, a spokesman from the Asamblea Pachamama Uruguay environmental group, said that the development of the project in an agricultural "fertile and productive" area could produce "unacceptable [environmental] damage that cannot be in anyway compensated".

Aratirí's opponents are currently collecting signatures to hold a referendum on the banning of open-pit mining in Uruguay. Significantly for the campaigners, the national directorate of the opposition Partido Nacional (PN, Blancos) has said that it will back the referendum campaign. In a statement, the PN directorate expressed its rejection to the awarding of an exploitation contract to Zamin Ferrous and called on the government to "respect all the procedures in place to evaluate and approve this kind of project [...] and to guarantee that the public has access to the widest information available on an issue that is of interest to all citizens in general".

MEXICO | SECURITY

Joint show of force in Apatzingán

The 'self-defence' groups marched victoriously into the town of Apatzingán at the weekend. Until recently Apatzingán was the stronghold of the drug-trafficking organisation Los Caballeros Templarios (LCT) in the Tierra Caliente region of the western state of Michoacán. One of the two most prominent leaders of the 'self-defence' groups, Estanislao Beltrán, said that the vigilantes had now "recovered" 25% of the state's 113 municipalities.

The entry into Apatzingán was not the bloodbath that the federal government had feared when the vigilantes converged on the town last month, prompting the deployment of a sizeable federal security force to Michoacán [WR-14-02]. This is because the 'self-defence' groups are currently working with the federal police (PF) and the military. More than 100 vigilantes, led by Hipólito Mora, entered Apatzingán on 8 February together with the PF and the military; Beltrán led a convoy of some 50 vehicles into the town the following day. Now subsumed into the 'rural defence corps' to confer legitimacy upon them, the members of the 'self-defence' groups were unarmed.

The federal security commissioner, Alfredo Castillo, suggested that the joint entry into Apatzingán was symbolically significant, branding it "the first clear and genuine demonstration of […] the State and society hand-in-hand". It also has a practical purpose. Federal security forces had been deployed to the town of 80,000 - the largest in Tierra Caliente - several weeks ago but this is not the same as assuming full control over it.

There seems to be a tacit agreement in place that the vigilantes will flush out members of the LCT, for the security forces to arrest. Castillo said the vigilantes would not be armed, adding that "their best weapon is information". Beltrán concurred that it was up to the security forces to make the arrests, but Mora said his men would stay in the town until it had been fully "cleansed" of the LCT, suggesting that if the federal forces did not act, the vigilantes would – a disturbing prospect for the federal government as it struggles to restore the rule of law.

In an interview with the Spanish daily *El País* on 10 February, Castillo dismissed concerns that the leaders of the 'self-defence' groups could be acting on behalf of rival DTOs. He said he had full faith in the integrity of the leaders, arguing that in meetings they had shown that they had a clear socio-economic agenda, asking for a new secondary school, more doctors and more computers, which he said would not otherwise interest them.

Plan Michoacán

The federal security commissioner, Alfredo Castillo, told *El País* that it was crucial to cut off the LCT's source of financing, and to ensure that federal government programmes operate efficiently, especially in the wake of President Enrique Peña Nieto's presentation of a US$3.4bn plan for Michoacán [WR-14-05]. This is complicated by the fact that many of the mayors in Michoacán have been accused by the vigilantes of colluding with the LCT, benefiting from federal funds, so federal financing initiatives will need to be very carefully monitored.

Education minister comes under attack in Michoacán

The education minister, Emilio Chuayffet Chemor, was forced to cut short a tour of Michoacán on 10 February during which he planned to discuss some of the education funding priorities for the state in the wake of President Enrique Peña Nieto's presentation of a US$3.4bn plan for Michoacán. Chuayffet's convoy was attacked by members of the Coordinadora Nacional de Trabajadores de la Educación (CNTE) teachers' union in the state capital, Morelia, shortly after he met the authorities of the Universidad Michoacana San Nicolás de Hidalgo (UMSNH), accompanied by the state governor, Fausto Vallejo. Large stones smashed the windows of the car directly behind Chuayffet's.

The violent incident served as a reminder to the federal government of the difficulty it will face in rolling out its education reform in areas of CNTE influence. The rector of Mexico City's Universidad Nacional Autónoma de México (UNAM), José Narro Robles, denounced the violence which he said did "nothing to help and only complicates things". He said it also set a poor example for schoolchildren, especially in Michoacán, which is already beset by drug-related violence.

TRACKING TRENDS

MEXICO | **Investment starts to pick up.** Investment by Mexican firms increased by 1.75% month-on-month in November 2013, bucking a trend of six consecutive months of decreases, the national statistics institute (Inegi) reported on 10 February. The result is encouraging and could go some way to ensuring that the Mexican economy fulfils the official growth forecast of 3.9% set by the government for this year. An Inegi report said that the boost in investment was led by the construction sector, which posted an increase of 1.77%, while investment in machinery and equipment actually marginally decreased by 0.65% over the period. Less encouragingly, however, the Inegi data shows that gross fixed investment in November was 4.5% down on the comparable month of 2012.

Commenting on the results a note from banking group Banorte-Ixe said that they showed that "while the economic outlook began to improve at the end of 2013, we believe that the fiscal reform is weighing on the investment decisions of both households and firms as they begin to adjust to the idea of lower income levels. At the same time it is also probable that investment in the construction sector remains [relatively] weak, particularly in the housing sector, while investment in the infrastructure sector will most probably recover in the coming months". Significantly, in July 2013 the federal government led by President Enrique Peña Nieto announced the launch of a M$1.3 trillion (US$102bn) infrastructure investment plan for the 2013-2018 period, which will also boost investment levels.

Different to other emerging economies

On 11 February during a visit to New York City, the finance minister, Luis Videgaray, said that Mexico is currently in a "different", more favourable, situation than the majority of emerging economies that have been affected by the US Federal Reserve's decision to phase out its loose monetary policies. In a series of meetings with US officials and investors, Videgaray said that, unlike most emerging economies, whose currencies have experienced volatility in recent weeks, Mexico has "more solid" macroeconomic fundamentals, allowing it to cope better with external shock factors. Videgaray's claims come just a week after the ratings agency, Moody's, upgraded Mexico's sovereign debt rating on 5 February from Baa1 to A3 on the back of the positive impact that the reform package approved last year is expected to have on Mexico's economic, fiscal and financial indicators.

MEXICO | **Favourable OECD unemployment comparison.** The latest Organisation for Economic Co-operation and Development (OECD), released on 11 February, showed that Mexico had the third lowest unemployment rate of the 34 OECD member countries with an average of 4.9%. Indeed Mexico's average unemployment rate last year matched that of Austria and was only surpassed by the likes of South Korea and Japan.

The result also marks the third consecutive year in a row in which Mexico's unemployment rate was lower than in the previous year. The country's 2012 average unemployment rate was 5.0%, while in 2011 it was 5.2% and in 2010 it was 5.3%. In fact, Mexico's unemployment rate has also been lower than the OECD's average since 2010.

Interestingly, the OECD report also breaks down the unemployment figures by gender as well as by age. The data shows that there was virtually no difference between the average unemployment rate of men (5.0%) and women (4.9%) in 2013. However, there was a significant difference between the average unemployment rate of young people (aged 15-24), which stood at 9.5%, compared to 3.9% for adults.

MEXICO | **Inflationary pressure.** On 7 February Mexico's national statistics institute (Inegi) revealed that its consumer price index had increased by 0.89% month-on-month in January bringing the 12-month cumulative inflation rate to 4.48%, higher than the central bank (Banxico)'s target rate of 3% +/- 1%. In fact the 4.48% inflation rate is the highest registered in Mexico since 2010.

According to Inegi, the increase was driven by increases in the price of food, drink and tobacco, up by 2.35% month-on-month in January, even though the price of fruit and vegetables fell by 4.27% over the period.

In its report Inegi explained that the overall rise was partly explained by tax reform promoted by the government of President Enrique Peña Nieto, which was approved by congress last year. Among other things, the reform introduced new taxes on some food and drink products and also increased the Value Added Tax (VAT) in border areas to 16%, all of which came into effect on 1 January. Pointedly Inegi's data shows that inflation measures in various border states such as Coahuila, Quintana Roo, and Baja California were much higher than the average for the month in recent years.

More significantly, the Inegi report also found that the underlying rate of inflation, considered to be a better measure of price levels, increased by 0.85% in January taking the 12-month rate to 3.21%. All of this will increase the pressure on Banxico to increase its benchmark interest rate, which has remained at a three-year low of 3.5%, in its next monetary policy meeting scheduled for 14 February.

PANAMA | CANAL & DIPLOMACY

Struggling to keep up appearances

Panama's international image has received a few knocks of late. Last week Jorge Quijano, the director of the Panama Canal Authority (ACP), confirmed that "almost all activity has ceased" on the US$5.3bn Panama Canal expansion plan, which was scheduled for completion in June 2015. This followed reports that talks between the ACP and Grupo Unidos por el Canal (GUPC), the international consortium in charge of constructing the third set of locks, over who should pay for the US$1.6bn cost over-run [WR-14-01] had broken down. These reports came less than a week after the foreign minister, Fernando Núñez Fábrega, stepped down, reportedly at the behest of President Ricardo Martinelli, in the wake of a series of diplomatic gaffes.

Quijano's statement followed GUPC's announcement the previous day that talks with the ACP had foundered ahead of a 4 February deadline. While a separate ACP statement "highlighted that the ACP continues to keep the door open for a reasonable resolution within the contract", Quijano, who accused the GUPC of being inflexible, was clear that "we will not yield to blackmail". He insisted that the project, which is 70.7% complete, would be finished by 2015 with or without the GUPC.

With Quijano still yet to provide details of a 'plan B', the GUPC is also sending out mixed messages. In its 4 February statement, it maintained that it is trying to find a solution, warning that failure to do so could see the project delayed by "three to five years". However, at the same time it remained on the offensive, accusing the ACP of similar intransigence and, most recently, of failing to pay a US$50m invoice intended to cover the salaries of workers and subcontractors. Further upping the pressure on both sides, the latest breakdown in talks, which has left some 10,000 jobs up in the air, has also revived the threat of action from Panama's powerful construction workers' union, Sindicato Único de Trabajadores de la Construcción y Similares (Suntracs).

Foreign minister goes

The political opposition has yet to seek to capitalise on the paralysis of the project ahead of the May 2014 general elections; instead the presidential candidates of the main opposition parties, Juan Carlos Navarro (Partido Revolucionario Democrático [PRD]) and Juan Carlos Varela (Partido Panameñista [PPA]) have both come out in firm support of Quijano. However, with the breakdown of ACP-GUPC talks subjecting Panama to unwelcome international scrutiny, the 31 January resignation of Foreign Minister Núñez Fábrega points to other problems for President Martinelli in the international sphere.

Martinelli's fourth foreign minister since the Cambio Democrático government took office in July 2009 (see sidebar), Núñez Fábrega cited "personal reasons" as the grounds for his decision. However, the local media reported that Martinelli's hand was forced following various blunders. These include Núñez Fábrega's recommendation that Martinelli not attend the recent summit of the Community of Latin American & Caribbean States (Celac) held in Cuba on 28-29 January as a way to show Panama's displeasure with Havana's refusal to reply to requests for information about a shipment of Cuban weapons seized on a North Korean ship detained in the Panama Canal in July 2013 (*see sidebar*).

North Korea pays fine

This week the Panama Canal Authority (ACP) announced that North Korea had paid a fine of some US$690,000 for attempting to ship undeclared Cuban weapons through the Panama Canal, and so the ship was free to go. The North Korean ship, Chong Chon Gang, was detained in July 2013 [WR-13-28] in the Panama Canal from Cuba. Last month, the Panamanian authorities released 32 of the 35 North Koreans detained since July; the remaining three, the vessel's captain, first officer and political secretary, face trial on arms trafficking charges.

Panama and El Salvador were the only members of the 33-member bloc not represented by heads of government at the Celac summit, and President Mauricio Funes was unable to attend because he was undergoing an operation on a slipped disk. The Martinelli government sent a fifth-ranking foreign ministry official, Floreal Garrido, who then made headlines after ending up in a row with Cuba's deputy foreign minister, Abelardo Moreno, after Cuba took umbrage at Panama's decision to eliminate a paragraph in one of the declarations to come out of the summit recognising the late Venezuelan president Hugo Chávez (1999-2013) as Celac's founding father.

Relations with another neighbour, Colombia, are under strain over a trade dispute [WR-14-04], and Martinelli was also reportedly upset with Núñez Fábrega's handling of a diplomatic crisis with Ecuador, triggered by Quito's refusal to release a vessel bearing a Panamanian flag seized in Ecuadorean waters in October 2013, carrying 799 kilos of cocaine. Núñez Fábrega had linked Ecuador's delay in releasing the vessel to Panama's decision the same month to grant political asylum to a prominent opponent of President Rafael Correa, Galo Tito Lara Yépez, accused of being an accomplice to murder in Ecuador.

These tensions resulted in Martinelli's decision in December 2013 to recall Panama's envoy to Ecuador, José Noriel Acosta, for consultations while the Correa government responded by withdrawing its chargé d'affaires, Edwin Martínez Bedón. Martínez had been the top Ecuadorean diplomat in Panama after Ambassador Francisco Arellano Raffo was recalled in January 2013 in protest at remarks made by the former Ecuadorean president, Abdalá Bucaram, (1996-1997), who has been living in exile in Panama for the past 16 years (having received asylum there), which the Correa government considered offensive.

Revolving door

Fernando Núñez Fábrega took over in February 2013 from Rómulo Roux, who stepped down to run (unsuccessfully) in presidential primaries for President Ricardo Martinelli's Cambio Democrático. Roux, in turn, took over from Roberto Henríquez in 2012. Henríquez was promoted to minister of the presidency after Jimmy Papadimitriu was forced to step down over a corruption scandal. Papadimitriu had replaced Vice President Juan Carlos Varela, who was fired in 2011 in the fallout from the ruptured alliance between the CD and Varela's Partido Panameñista (PPA). Núñez Fábrega has since been replaced by Francisco Álvarez De Soto, a lawyer, political economist and deputy foreign minister until February 2013.

First Lady to run for VP

President Martinelli's Cambio Democrático has announced that First Lady Marta Linares will be the running mate of the ruling party's presidential candidate, former housing minister (2011-2013) José Domingo Arias, in general elections on 4 May.

This is the latest example of a recent trend in Central America, where the wives of leaders constitutionally barred from seeking re-election, run either as presidential or vice-presidential candidates in their stead.

This strategy was unsuccessful in Guatemala, during the administration of former president Alvaro Colom (2008-2012) after the constitutional court (CC) eventually ruled against the presidential bid by First Lady Sandra Torres de Colom in the September 2011 election. However, it succeeded in the Dominican Republic where, in the 2012 elections, Margarita Cedeño de Fernández, the wife of then-president Leonel Fernández (1996-2000, 2004-2012) was the running mate of Danilo Medina who won the presidency for Fernández's Partido de la Liberación Dominicana (PLD).

While in Guatemala, Torres undoubtedly had her own political ambitions and was not just a proxy for her husband, Linares, who has carried out the traditional First Lady roles of working on health and education, is widely considered a surrogate for Martinelli, who is legally barred from running again, to retain influence in a future CD government.

There had been speculation earlier on in Martinelli's term that he would seek to promote a constitutional reform removing the ban on consecutive re-election, but given the unpopularity of the move (a proposal to remove the ban was soundly defeated by a wide margin in a national referendum in 1998), Martinelli subsequently backed down.

Linares' candidacy could trigger a constitutional row, however, as legal experts point out that it violates Art. 193 of the 1972 constitution which bars candidates from running for the vice-presidency who are related to the incumbent by blood (up to four degrees of consanguinity) or second degrees of affinity.

With Linares' appointment, all the three main parties - CD, the PRD and the PPA - have confirmed their full line-ups. On 13 January Navarro named Gerardo Solís as his running mate [WR-14-03] while, on 26 January, Varela announced that an independent, Isabel Saint Malo, would accompany him on the presidential slate.

State department caught off guard by revived debate

Led by the current and former Florida state governors, a new row has erupted in US politics over the wisdom of US-Cuba policy. The debate was given fresh fuel this week following the release of a major new non-partisan survey indicating that a majority of US citizens, led by Floridians, now support a policy shift on Cuba.

US senators Patrick Leahy (D, Vermont) and Jeff Flake (R, Arizona) on 11 February cited the new Atlantic Council survey in an op-ed piece in the conservative *Miami Herald* in which they called upon President Barack Obama to "heed the majority of those across the country who recognize that we have much to gain by jettisoning this Cold War relic [the trade embargo]". The pair made the point that "it would appear that a standard of 100 percent political alignment with the United States before allowing freedom of travel or economic activity with another country is only applied to Cuba. For instance, U.S.-China trade topped $500 billion in 2011, and we granted permanent normalized trade relations to Russia in 2012. American tourists visit both countries without restriction."

Over 60% want economic restrictions lifted

Almost two-thirds of Latinos across the US (62%) also support a change in US Cuba policy, according to the Atlantic Council survey. More notably, while support for change was strongest among Democrats and independents (60%), 52% of Republicans also supported a policy revision. More than six out of 10 Americans wanted all economic restrictions removed, the survey found.

The current and former Florida Republican governors, Rick Scott and Charlie Crist (who this year is bidding anew for the governor's office as a returned Democrat) continue to spar loudly on the matter, after Crist said in a TV interview that he opposed the embargo (doing a full 180-degree turn on his stance when Republican governor [2007-2011]). The Cuba debate in Florida is now very alive ahead of the US midterms in October. Yet, although President Obama himself recently also called for a rethink at a Miami fundraiser, how these shifting winds will play into the next US presidential election (2016) is, as yet, a little unclear.

A state department official who requested anonymity told the Spanish newswire *Efe* on 12 February that the US government still considered the half-century old economic embargo on Cuba "an important tool". "We believe that the embargo provides an important resource to spur more positive changes on the island, as such, we see its continued application as dependent on the rhythm and nature of those changes […] The embargo represents just one aspect of US policy towards Cuba, whose general objective is to encourage a more open environment in Cuba and a greater respect for human rights and fundamental freedoms". The fact that the US thinks it necessary to maintain the embargo "does not mean that its policy towards the island is static", the official stressed, noting the recent steps by the Obama administration to promote people-to-people contacts.

In fact the US congress has the sole power to lift the embargo but, according to the official, the Obama administration in any case maintains that its removal must be conditional upon "changes" in Cuba that have yet to occur. As per the 1996 Helms Burton Act, which codified and strengthened the embargo, those "changes" effectively boil down to the end of the Castro era. For that reason, many Cuba-watchers suspect that the US will only really consider an end to the embargo after 2018, which is when President Raúl Castro has pledged to step down.

"Cuba used to be intractable because Florida was intractable"

The above-mentioned survey, entitled 'US-Cuba: A New Public Survey Supports Policy Change' found that well over half (56%) of respondents at the national level favoured changes to Cuba policy. In Florida, home to the largest Cuban-American population in the US, it was just under two-thirds (63%), by far the highest in the country. The survey authors, Peter Schechter and Jason Marczak of the Adrienne Arsht Latin America Center (at the Washington-based Atlantic Council), note in their executive summary: "This is a key change from the past. Cuba used to be intractable because Florida was intractable. This poll argues that this is no longer true".

POSTSCRIPT

Pacific Alliance continues to make waves

The heads of state of the member nations of the Pacific Alliance - Chile, Colombia, Mexico and Peru - gathered in Cartagena de Indias on Colombia's Caribbean coast this week. Colombia's President Juan Manuel Santos praised the massive strides taken by the Pacific Alliance over the last 20 months but stressed that presidents were not gathering in Cartagena to "slap each other on the back, but to discuss what more we can do". This will indeed be the acid test of its success. Santos insisted that the objectives of the Pacific Alliance were reducing inequality and eradicating poverty, but this sounded like an effort to convince a sceptical domestic audience, especially as he is on the campaign trail. So far the focus has been largely on trade - the main accord signed in Cartagena was to eliminate 92% of import tariffs on goods and services between the four member countries - and trade alone will not accomplish these stated objectives.

President Santos said that the Pacific Alliance already had 25 observers on four continents, with Finland, Singapore, Israel and Morocco all interested in adding to that list. President Laura Chinchilla also signed a declaration to bring Costa Rica into the Alliance as a full member, a process which could take about a year. Santos said the Alliance was "the motor of development and prosperity" and the envy of the region. While the summit was taking place, Brazil's foreign minister, Luiz Alberto Figueiredo, was put on the spot during a senate appearance by opposition senators, who juxtaposed unfavourably the dynamism and openness of the Alliance with the static and comparatively closed Southern Common Market (Mercosur) which, nearly 23 years after its creation, is still mired in trade protectionism and struggling to sign any trade deals. Figueiredo said Mercosur would propose accelerating tariff elimination with the Alliance.

Beneath the surface of this success, however, it is worth noting that the popularity of all of the presidents of Alliance member nations are all below 50% and they will need to demonstrate that there are socio-economic benefits to the trade integration. Chile's president-elect Michelle Bachelet, who *is* popular, is less committed to the Alliance than President Sebastián Piñera, appearing to view it as just one more group of many to which Chile belongs rather than something special. After her electoral victory, Bachelet pointedly argued that "Chile has lost presence in the region […and] a mercantile vision of our ties has been imposed" [WR-13-50]. Bachelet has more in common with her left-of-centre female counterpart in Brazil, Dilma Rousseff, and has prioritised improving ties with Brazil.

"There will not be a *coup d'état* in Venezuela, you can be absolutely sure about that. Democracy will continue. The Revolution will continue."
Venezuela's President Nicolás Maduro

"The (Pacific) Alliance is the pretty girl coveted by the region."
Colombia's President Juan Manuel Santos

"Some of the hegemonic media want to see me fly, but I am not a witch."
Argentina's President Cristina Fernández

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