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Lighting the fuse on Venezuelan powder keg

Henrique Capriles Radonski, the governor of the Venezuelan state of Miranda and figurehead of the moderate opposition, called for street protests this week against the government of President Nicolás Maduro. While Capriles stressed that he was not calling violent political demonstrations, it risks comparison with the protests organised last February by Leopoldo López, which landed him in jail. At the time Capriles distanced himself from López saying that the timing of his protests was wrong and would not win the hearts and minds of Venezuelans. He now appears to have calculated that they could be won through their stomachs. Acute shortages of food and other basic products have led to vast queues forming outside supermarkets in Caracas and cities in other states.

Capriles, the twice presidential candidate of the opposition Mesa de la Unidad Democrática (MUD), warned President Maduro on 11 January that the people were getting "desperate" and that "patience is running out". Capriles said that the scarcity of food and other essential products for everyday use since the start of the year had been so severe that he could not in all conscience ignore the plight of ordinary Venezuelans. After meeting other MUD opposition figureheads, such as María Corina Machado, and leaders of López's Voluntad Popular (VP), Capriles announced the following day that he had agreed with the MUD to call street protests.

"This is time for mobilisation, it is not the time for guarimba. Guarimba no, mobilisation yes," Capriles said. He was referring to the barricades erected in Caracas as part of street protests demanding 'La Salida' ('the departure'), of Maduro, which ran from February until June last year, leaving a death toll of 43 and for which López is still languishing in jail awaiting trial. "How will the government prevent people from mobilising and demanding respect for their right to food? Arrest everybody?" Capriles asked rhetorically. "There is chaos and a crisis and nobody has to put up with it."

Capriles said he had a precise plan for the street protests that he wanted to finish presenting to all of the MUD leadership, which would shortly reveal details. Despite insisting on a fundamental difference between the protests for which he is calling, and those organised by López last year which he opposed, Capriles struggled to elucidate this difference. On the one hand, he said that he was proposing a series of measures to overcome the economic crisis among which are ending "oil handouts" ("Venezuela cannot continue to gift oil to any country on the planet") and a plan to stage demonstrations to call for "a change of model" ("This model is unsustainable and the time has come to take action"). On the other hand, while he was not explicit in demanding Maduro's removal, unlike the 'La Salida' protests, he made it clear that the government's time was up: "What they call Revolution is in its terminal phase" and "To the followers of President [Hugo] Chávez [1999-2013] I say with all due respect: this revolution is over".

Oil diplomacy

Henrique Capriles said it was essential that rather than cut oil production, as the government advocates, it should be increased. He argued that production was at the same level as 40 years ago, some 3m barrels per day, and that with low prices big producers benefit the most. He also claimed that “oil gifts” abroad amounted to US\$7bn a year and that this must be ceased immediately. Even if Venezuela’s oil diplomacy initiative Petrocaribe survives the fall in oil prices the preferential terms could be altered, with a serious impact on Caribbean member countries. Written into the original accord was a clause stipulating that if the price of oil fell beneath US\$40 a barrel the terms would toughen.

All this suggests that the protests planned by Capriles are different in style but have the same goal as those organised by López. Capriles indirectly acknowledged that there was some residual rancour within the MUD over his decision to distance himself from last year’s protests and to concentrate instead on reaching out to disenchanted Venezuelans while assuming a position of peaceful co-existence with the Maduro administration. But he said that it was “not the time for disputes; differences yes, but we will surmount them because there is a bigger objective”. He also promised that this would ensure “perfect unity” within the MUD for the legislative elections on 26 September. Precedent suggests this is wishful thinking, but it is more probable if there is a genuine belief that the government is falling apart and the MUD could soon taste real power.

Capriles’s decision to strike now suggests that he felt López went too soon and that he has been biding his time for Maduro’s position to get really weak, and for his popular support to evaporate. Inflation, at 63%, is biting harder than ever, and numerous photos and anecdotal tales have emerged in recent days of people queuing to get rationed products: four packets, for instance, of powdered milk; toilet roll; sugar; and soap. Disturbingly for Maduro, in the hillside slum of Catia, a Chavista stronghold in the Caracas parish of Sucre, the chronic shortage of basic goods has led small groups to hold up several trucks, making off with nappies and chorizo.

While it is not unusual for there to be a shortage of food and other basic goods in January, due to the closure of distribution factories over the Christmas holidays, it is particularly severe now. Capitalising on the unrest will still be a big challenge for Capriles and the MUD. There is no question that supporters of the Bolivarian Revolution are disillusioned but many felt the protests last year just exacerbated problems rather than providing a solution - and they distrust the opposition.

Could the MUD ally itself with disillusioned political parties within the Bolivarian Revolution? Unlikely. The most lacerating criticism directed at the Maduro administration has come from within. The Trotskyist Marea Socialista (MS), whose ‘team of investigators’ pen pieces on *Aporrea.org*, accuses the government of rampant corruption and inefficiency and of refusing to listen to its proposals to move forward. It has this in common with the MUD – but no more. Rather than seeing the Maduro administration’s current travails as marking the end of the Revolution, the MS contends that the Revolution has not begun. MS member Nicmer Evans, for instance, told the national daily *El Nacional* on 11 January that “Madurismo is a historic mistake”. Three days later he accused Capriles on *Aporrea.org* of calling “a guarimba light”. Evans added that while he agreed that the present model had failed this was because of “bureaucracy and capital” and that “Socialism has not failed because it has not yet been applied in Venezuela”. He said that unlike the MUD he advocated change through constructive dialogue and government rectification.

There are signs that the ruling Partido Socialista Unido de Venezuela (PSUV) is marginalising the MS, which might try to compete on its own in September’s legislative elections. Other parties that have broken away have not fared well against the State-backed PSUV, but the MS has already attracted factions loyal to the legacy of Chávez, such as Chávez VIVE, and would be more appealing to disenchanted Chavistas than the MUD.

Glimpsing the bottom of the barrel

The biggest threat to Maduro, however, is that falling oil prices mean that he is not able to buy off the powerful competing factions within the Bolivarian Revolution, above all the military. This explains why he was in China trying to secure more loans last week and why he visited oil-producing countries in the Organization of the Petroleum Exporting Countries (Opec) – Iran, Saudi Arabia, Qatar and Algeria - this week to try and sell his proposal to cut oil production to stabilise oil prices. When Maduro began his foreign tour on 5

Maduro's delayed return

President Maduro visited Russia (again) on 15 January from Algeria. It is rumoured that he will carry out a lightning visit to Mexico, another oil-producing nation, on his return to Venezuela. Under the constitution Maduro is obliged to deliver a state-of-the-nation address to the national assembly on 15 January, although this stricture was relaxed when former president Chávez was too ill to appear. The president of the assembly, Diosdado Cabello, said that Vice-President Jorge Arreaza would appear before the assembly instead and that Maduro would present his address on 20 January.

January the price of West Texas Intermediate (WTI) was US\$52.47 per barrel; a week later it stood at US\$45.9/b, a fall of 18.6%. The Venezuelan 'basket' of crudes fell to just over US\$40/b. This is below the US\$60/b upon which the budget is based, and this figure was deliberately set low as the government had anticipated a price of around US\$100/b and siphoning off the extra resources into opaque funds for discretionary spending.

It is still not clear when Maduro will be back but the plan of returning in time to announce a diplomatic success in his state-of-the-nation address on 15 January has fallen through (*see sidebar*). He can waft around the offer of US\$20bn in Chinese investment for economic, energy and social projects, and a very vague "financial alliance" with "important banks" in Qatar to provide "billions of dollars, not just for 2015 but also 2016" to help Venezuela cover the losses sustained from the declining oil price and resources for the national budget. But his urgent cry for production cuts failed to find echo where it matters.

Maduro has the rhetorical solidarity of Iran's President Hassan Rouhani, unsurprising given its traditional enmity with Saudi Arabia, and Algeria's President Abdelaziz Bouteflika. However, he left Riyadh for Algiers following his most important meeting, with the heir to the Saudi throne, Salman bin Abdulaziz Al Saud, on 11 January, empty handed despite announcing "successful results and accords". He later admitted that there would be no emergency Opec summit to confront the issue of falling oil prices because of "a lack of consensus behind the initiative proposed by Venezuela [to cut production]". This is because the Saudis are prepared to play the long game. They can sustain a lower price and realise that this undermines moves in the US to reduce its dependence on oil through fracking: this requires heavy investment which is far less appealing if oil prices are low.

Maduro repeated his claim in Algiers that fracking is part of an 'imperialist' "economic war" against Venezuela (to which Capriles quipped that "there is no economic war but there is a war economy"). Maduro has long seen the shadow of conspiracy wherever he looks. Before this there was the oft-cited convoluted US-funded plot involving Colombian paramilitaries. On 9 January a report entitled 'Analytic Guidance: Considering a Coup in Venezuela' by Stratfor Global Intelligence, which was widely cited in the international right-leaning press, claimed that the threat to Maduro was from paramilitaries within Chavismo itself and that a coup was imminent. Stratfor said that its sources had indicated that "auxiliary security forces known as *colectivos*", along with "military commanders", would "coordinate with the majority of PSUV congress members to prevent Maduro from returning to power once he returns to the country".

While there is evidence of restive factions within the Revolution, it is very difficult to imagine PSUV deputies, under the watchful eye of the president of the national assembly, Diosdado Cabello, committing en masse to work with *colectivos* and renegade military units to topple Maduro. Cabello, whose loyalty to Maduro has long been the subject of speculation, described Maduro's tour as "a total and resounding success" adding that "we are diversifying our options in the world." He also concurred with Maduro that the government faced an 'economic war' – he said lots of basic goods had been found in a warehouse in the western state of Zulia as part of the government's efforts to combat price speculation, hoarding and contraband – and that "this is a happy people and all the surveys say so".

At least 16 of these "happy people" who held up protest banners in the queues or took photos of them were arrested over the weekend as the interior minister, Admiral Carmen Meléndez, deployed the Bolivarian national guard (GNB) to stores and distribution centres to "protect shoppers". Meléndez insisted that "the stores are full" and that people were queuing from 2am "because they want to". She ordered the police criminal investigation agency (Cicpc) to keep them company with early morning patrols.

New judicial president

Víctor Ticona Postigo took over as president of the judiciary on 5 January for two years. He faces numerous challenges. Judicial corruption is perhaps the biggest of these and he highlighted it as one of five key areas on which to focus. This is one of the reasons why the judiciary enjoys an approval rating of barely double digits. Recovering credibility in the public's eyes will be no easy task but Ticona stressed that "it is necessary to carry out a series of structural changes in the judicial system [because] society is demanding a faster, transparent, predictable and quality judicial system".

Humala promises to clamp down on corruption

Peru's President Ollanta Humala is making a public show of his determination to crack down on corruption. While addressing 25 new regional presidents in Lima's presidential palace on 8 January, a week after they took office, Humala said that his government was committed to decentralisation but would not tolerate the slightest hint of financial impropriety. He was referring to the corruption scandals that came to light last year leaving one-third of Peru's regional presidents facing legal charges, especially related to the award of public works' contracts. Widely portrayed as one of the main spiders in these webs of corruption is Martín Belaúnde Lossio, a businessman who had close links to Humala. Peru's government is mounting a major diplomatic offensive to retrieve him from Bolivia.

Decentralisation has been far from an unqualified success since regional elections in their current format first took place in Peru in 2002. National governments have to some extent been to blame. Having little incentive to work with the regional presidents given that the majority of them hail from regional movements rather than national parties, successive national governments have tended to ignore them. At one stage in the run-up to regional elections last October, there was a regional corruption scandal grabbing press headlines almost every day. But investigations have shown that it is a very tangled web and that all levels of government in Peru have been ensnared.

The most notorious scandal involves the president of the northern region of Áncash, César Álvarez Aguilar, who has been arrested on suspicion not just of corruption but also involvement in the murder last March of a candidate to replace him as regional president, Ezequiel Nolasco, who had striven to expose the corrupt regime he alleged was being run by Álvarez.

President Humala told the regional presidents that "not a single penny" would be forthcoming if his government detected "anything which is not transparent" in the running of regional governments. Humala said that "if the [central] government got involved in [investigating corruption], through the comptroller general's office and the attorney general's office, it was to see what is going on in the regions."

It is worth noting, however, that the extent of the permeation of this corrupt network is such that the attorney general, Carlos Ramos Heredia, who took up his position last May, was suspended for six months on 30 December in a unanimous decision by the national magistrates' council (CNM). Ramos, who is the subject of a constitutional complaint in congress for the manner in which he dealt with the serious allegations against Álvarez [WR-14-14], is being investigated by the CNM for his removal of four regional prosecutors in 2012 probing 'La Centralita', a store in Chimbote, the capital of Áncash's province of Santa, believed to be a front for a wiretapping operation against politicians, prosecutors and journalists critical of Álvarez.

If Ramos Heredia's suspension raises serious questions about the complicity of part of the justice system, the allegations against Belaúnde Lossio raise some uncomfortable questions for the national government about a web of corruption that might have drawn an admiring glance from the past master, Vladimiro Montesinos, intelligence chief under the now-jailed former president Alberto Fujimori (1990-2000) (*see box overleaf*).

Belaúnde Lossio, a businessman and press adviser to Humala during his failed presidential bid in 2006, stands accused of crimes such as influence

Daniel Urresti

A controversial choice as interior minister given his decidedly checkered past, Daniel Urresti's no-nonsense approach has made him a surprisingly popular choice. But his outspoken comments mean he is also a liability for the Humala administration. Only this week he wrote a couple of disparaging tweets about Keiko Fujimori and former president Alan García (1985-1990; 2006-2011) who is sure to bid for a third term for the Partido Aprista Peruano (PAP) next year, before using the same medium to issue deeply sarcastic apologies.

peddling and illicit association. He is alleged to have assisted Álvarez embezzle money to finance his criminal activities, as well as running a bribery scheme to secure government contracts in regions across the country.

A Peruvian court ordered Belaúnde Lossio's preventive detention last May for 18 months. He went on the run and Interpol issued an international arrest warrant for him last September. He resurfaced in Bolivia on 16 December, seeking political asylum.

Reading a statement to the media in the eastern city of Santa Cruz on 9 January, Belaúnde Lossio claimed to be innocent of the charges imputed to him, saying he faced political persecution and feared for his safety if he returned to Peru. Belaúnde Lossio appeared before the national commission for refugees in Bolivia (Conare) on 13 January accompanied by his lawyer to make his case for asylum.

Peru's foreign minister, Gonzalo Gutiérrez, responded by saying Belaúnde Lossio had nothing to fear. How much the Humala administration has to fear if Belaúnde Lossio is put on trial is a moot point. It has assembled and dispatched a crack legal team to La Paz to persuade the Bolivians to extradite Belaúnde Lossio but the process could take a long time, possibly even extending beyond the end of Humala's term in July next year.

The Humala administration augmented this legal team on 11 January with a police colonel, Juan Guillermo Rodríguez, head of the foreign affairs division in the police force (PNP). It also appeared to see the need to strengthen its diplomatic representation in Bolivia, appointing a new ambassador to Bolivia, Luis Benjamín Chimoy Arteaga, to replace Silvia Alfaro Espinosa.

Fujimori's final sentence

Peru's judiciary has handed down an eight-year prison sentence to former president Alberto Fujimori and ordered him to pay PEN\$3m (US\$1m) as compensation to the State. Fujimori was found guilty of having "appropriated public funds to ensure his continuance in power", by using PEN\$122m (US\$43m) from the military budget between 1998 and 2000 "for ends other than national defence". Specifically this cash was channelled to Vladimiro Montesinos, at the head of the intelligence agency (SIN), and used to 'buy' the editorial line of the tabloid press, which discredited the opposition as part of Fujimori's 2000 presidential election campaign: prosecutors said Montesinos had paid the tabloids between US\$2,000 and US\$3,000 for every headline attacking the opposition.

Fujimori has already been convicted on several counts, the most serious of which was a 25-year sentence in April 2009 for responsibility for murder, aggravated assault and kidnappings. The latest sentence will not extend his time in jail as sentences are not cumulative under the Peruvian legal system.

Fujimori's defence argued that he could not know everything that went on during his government and his daughter Keiko insisted that "no evidence has been presented showing [he] had responsibility" for bribing the press. She conceded, however, that "Today is not a good day for us".

While further proof of Fujimori's corrupt kleptocracy will not help Keiko's presidential bid in April 2016, it will be a relief that this marks the end of the protracted trials against her father (although he intends to appeal the "unjust" sentence) and will not stop her, once again, being one of the favourites to win election.

The Peruvian press is speculating that one of Keiko's potential rivals in that contest could be the interior minister, Daniel Urresti, who was this week forced to apologise to her after a disparaging 'tweet'. That Urresti is being mentioned as a possible presidential candidate rests on the fact that mavericks – such as Fujimori and Humala – have emerged in Peru more frequently than other countries in the region as the national political parties are comparatively weak. How much longer Urresti lasts in the cabinet, however, is also a hot topic (*see sidebar*).

Correa – eight years and going strong

President Rafael Correa marked eight years in office on 14 January. Correa celebrated the achievements made in education in particular and said that the government's focus now is on developing human talent, science, technology and innovation in the country. He insisted that he would not allow "the past to return", even if that meant staying on in office beyond 2017 (pending approval of a constitutional reform to allow for indefinite election). Ecuador was recently voted the best country in the world to retire to by *InternationalLiving.com*, getting 92.7 of a maximum 100 points for its warm climate, friendly people, affordable living costs and generous government retiree discounts for things like utilities, health care, public transport and airfares, among others.

Ecuador's CAN-do attitude riles neighbours

Ecuador is struggling not only with lower oil prices but also with a strong US dollar, which damages its external competitiveness. The trade ministers of Ecuador and Colombia, Francisco Rivadeneira and Cecilia Álvarez-Correa respectively, met in Quito on 14 January in a bid to resolve a row over Ecuador's unilateral imposition of new import safeguards on its Andean Community (CAN) trade partners.

On 5 January Ecuador imposed a temporary levy of 21% on imports from Colombia and a 7% duty on imports from Peru by way of remedial action for currency devaluations. In a statement, the external trade ministry said the measure was in response to the depreciation of the Colombian and Peruvian currencies against the US dollar, (Ecuador has been dollarised since 2000), and was designed to restore trade competitiveness. The statement noted that the Colombian peso had depreciated by 25% against the dollar in the second half of 2014, to Col\$2.34:US\$1, while Peru's nuevo sol had weakened by 5.4% in the same period, to PEN2.79:US\$1. A stronger US dollar makes Ecuador's exports less competitive, while imports become cheaper (and import demand rises, as Ecuadoreans' purchasing power increases).

In reaction to immediate complaints by Colombia and Peru about the unilateral measure, which they said they had not been consulted about in advance, the CAN's general secretariat (SCCA in the Spanish acronym) insisted that it should fall to the CAN to determine whether "normal conditions of competition" had been altered to an extent that justified remedial measures. The SGCA said it would review the situation from 6 January. In a tart response, Ecuador replied that it had in fact sent the case to the CAN as an emergency matter on 24 December, and had proceeded to impose the measure after the CAN failed to respond within a statutory seven-day period (which, of course, happened to coincide with the Christmas holidays).

Rivadeneira and Álvarez-Correa admitted that the talks were difficult but said the two sides were looking for a 'win-win' solution. Rivadeneira said Ecuador was proposing to cut its safeguards on Colombian goods to 17.4%, and to exclude certain categories of raw materials, intermediate inputs and consumer goods. He admitted that Colombia was pushing for the tariff to be slashed to 7%. However, both ministers were keen to stress that talks were fluid, with concern on both sides to come to a mutually acceptable resolution. Based on the meeting, the two countries' trade councils are to come up with a final proposal by 26 January. Rivadeneira made no mention of any talks with Peru.

Ecuador-CAN trade

According to Ecuador's central bank, Ecuador registered a trade deficit with Colombia of US\$968.1m in January-October 2014, on exports of US\$784.3m and imports of US\$1.8bn. However, that deficit was actually lower than in the same period of 2013 (US\$1.1bn), reflecting lower imports from Colombia last year (exports rose slightly). In the same period, Ecuador ran a trade surplus of US\$583.5m with Peru, on exports of US\$1.4bn and imports of US\$807.3m. However, that surplus was down by 19% year on year, on lower exports to Peru (imports also fell).

Ecuador insists that its trade policies seek to maintain adequate domestic dollar liquidity. The latest row follows earlier disputes, including Quito's imposition of new labelling rules on imports a year ago. The country registered a moderate trade surplus of US\$148.2m in the first 10 months of 2014, a turnaround from a deficit of US\$1.2bn in the same year-earlier period, on exports of US\$22bn and imports of US\$21.9bn. Despite these relatively positive trade figures, with the US dollar continuing to strengthen and oil prices yet to find a price floor, Ecuador is likely to continue to rely upon protectionist measures, risking continued spats with its next-door neighbours.

Cracks widen between PT and PMDB

Since former president Lula da Silva left office in 2010, relations between the ruling Partido dos Trabalhadores (PT) and the perennial kingmakers of the Partido do Movimento Democrático Brasileiro (PMDB) have not been good. During the run-up to President Dilma Rousseff's re-election campaign, only a narrow majority of the party voted to support her candidacy. Now, stung by what the party chiefs see as a "humiliating" division of ministerial spoils at the start of Rousseff's second term, the relationship between the two parties is deteriorating fast.

One of the key players who has long argued for a resetting of the relationship is Eduardo Cunha, the leader of the PMDB in the lower chamber. In the senate, relations between the parties are slightly more harmonious. Even before President Rousseff announced her ministerial picks, Cunha had indicated that he would stand for the lower chamber presidency despite a longstanding agreement between the PT and the PMDB, the two largest parties in parliament, to alternate the position. The current president is Henrique Eduardo Alves, of the PMDB.

Partly in response to Cunha's intransigence, and partly in response to the restive collection of congressional deputies that he represents, the PT is attempting to wean itself off PMDB support and strengthen its other, smaller allies, such as the Partido Socialista Brasileiro (PSB) of Gilberto Kassab, the cities minister, and the Partido Republicano da Ordem Social (PROS) of Cid Gomes, the education minister. The PT has also indicated that it will put forward its own candidate for the lower chamber presidency: Arlindo Chinaglia, a deputy from São Paulo.

Now, the dissatisfaction in the PMDB appears to be spreading. Michel Temer, the PMDB vice-president, is in the tricky position of trying to sympathise with his colleagues over their frustrations at being allotted ministries of less significance, while maintaining functional relations with the PT. On 14 January, he decided to join his colleagues including Renan Calheiros, the senate president; José Sarney, the former president and senator; and Eduardo Braga, the mines and energy minister, in signing a letter of support for Cunha's candidacy.

Petrobras scandal

While irritating the PT may help restore battered morale in the PMDB, the support of Cunha could backfire. The PMDB deputy has been accused of benefiting from the endemic corruption at Petrobras, the state-run oil firm, by a federal police officer who claims he delivered money from the company to Cunha and Antônio Anastasia, a senator from the opposition Partido da Social Democracia Brasileira (PSDB) closely linked to former presidential candidate, Aécio Neves. This latest claim in the long-running scandal, which has mainly harmed the PT, has been denounced as a "stunt" by Neves to divert attention from the real wrongdoers. It is worth noting that, while it would be incredibly convenient from the PT's point of view if Cunha and Anastasia face investigation, that does not diminish the possibility the accusations are true.

More politicians are expected to face charges over Petrobras in the next month or so. In the meantime, it is still business executives working for the company or its contractors who are feeling the heat. On 14 January, Nestor Cerveró, the former director of international operations at the oil company, was arrested around midnight at Rio de Janeiro's Galeão airport on his arrival from London.

Police killings in São Paulo

Between January and November 2014, police in the state of São Paulo killed 816 people, a record high, according to figures from the Centro de Inteligência da Polícia Militar, an internal affairs office of the police. The number is significantly higher than those killed in the same period of 2012 (715) and 2006 (608), both years of heavy clashes with the criminal organisation, the Primeiro Comando da Capital.

Tax rises

On top of the electricity price rise, Finance Minister Levy has also clarified further what he meant by tax “adjustments” last week. “Eventually, we are going to make some adjustments in the area of tax. Any tax rise will be compatible with our aim of strengthening the public finances,” he said. Among his first targets will be the self-employed who define themselves as businesses for the sake of paying around 4% tax, while ordinary, salaried individuals pay up to 27.5% in personal income tax. Still, Levy was keen to deny there was a whole package of tax-raising measures being planned in the finance ministry.

Cerveró and Fernando Baiano, an industry lobbyist, are accused of receiving US\$40m in bribes between 2006 and 2007 to secure contracts for deep-water oil exploration probes in African and Mexican waters. Thirty-nine people have now been arrested in the seventh phase of ‘operation car wash’, the official probe into corruption at Petrobras, 23 of whom worked for some of Brazil’s largest construction companies, such as Camargo Corrêa, Engevix, Galvão Engenharia, Mendes Junior, OAS and UTC.

BRAZIL | POLITICS & ECONOMY

Tax rises imminent, but no “bagful of horrors”

Can President Dilma Rousseff implement her promise of fiscal responsibility without triggering social unrest? No matter how many times her new economic team warns of the pain to come, Rousseff’s real test will be when prices, or taxes, start to shoot up. Joaquim Levy, the new finance minister, has made it abundantly clear that taxes will have to rise, but he has also promised there will be no “bagful of horrors” for Brazilians in Rousseff’s second term.

Protests

The first significant price hike of the year had nothing to do with the new finance minister. Bus fares have risen in 14 Brazilian cities over the past two months; in Rio de Janeiro and São Paulo, the increase was implemented at the beginning of January. In both cities, the price rise is well above inflation: 50 cents in São Paulo and 40 cents in Rio. While the mass demonstrations of 2013 began with a 20 cent price increase on bus fares in São Paulo, the latest measure has yet to trigger widespread unrest.

The Movimento Passe Livre, the free fares movement, which was instrumental in organising 2013’s protests, has organized a few rallies over the past two weeks. In São Paulo, the largest demonstration, of around 5,000, was marred by some minor incidents of vandalism; in Rio, only a few hundred turned up. Fifty one people were arrested by police, the vast majority in São Paulo.

Both the police and the MPL are experimenting with new tactics. The police took to social media to post photos of the handful of violent demonstrators, accompanied by the caption “is this democracy?” The MPL, meanwhile, is promising more educational events to be held on the periphery of Brazil’s major cities, rather than mass demonstrations in the centre.

Electricity price hikes

If the bus fare increases have yet to inspire popular outrage, there are plenty of other potential sources of anger to come. Electricity prices are expected to rise by up to 40%, following the decision by Levy to cut subsidies to the energy development fund (CDE, in the Portuguese acronym). Back in August 2014, congress approved a payment of R\$9bn (US\$3.44bn) to the CDE, which Levy has said he will no longer honour.

In a press conference on 12 January, Romeu Rufino, the head of Aneel, Brazil’s energy regulator, said that the withdrawal of the government subsidy meant price rises were inevitable. “Either the taxpayer pays, or the consumer pays. That is no secret,” he said. On 14 January, Eduardo Braga, the mines and energy minister, said that the price rise would “definitely” be below 40%.

Levy did not get everything his own way, however. With many of Brazil’s energy distributors struggling financially, Braga has said he will help to broker a R\$2.5bn (US\$980m) loan from the country’s large State-run banks to prevent them from going bankrupt. Such State support runs counter to Levy’s plans, but the government is attempting to portray the situation as a compromise between the two ministries. Most of Brazil’s electricity comes from hydroelectric power, and with the country experiencing its worst drought in 80 years, costs have soared.

Amia prosecutor accuses Fernández of cover-up

President Cristina Fernández, and other senior government officials, “covered up” the involvement of Iranians in the 1994 bombing of the headquarters of the Amia Jewish association in Buenos Aires, according to Alberto Nisman, the lead prosecutor in the investigation into the attack. In a document released on 14 January, Nisman demanded a freeze of Arg\$200m (US\$23m) of Fernández’s assets and the right to question her, foreign minister Héctor Timerman, and the head of the Kirchnerista youth group, Andrés Larroque. According to Nisman’s report, the government sought to “ease” Iran out of the Amia case in order to ensure good trade relations.

The attack on the Asociación Mutual Israelita Argentina headquarters was the deadliest bombing in Argentine history. Eighty-five people were killed and hundreds were injured. No one has been prosecuted over the attack, and the case has been marked by accusations of cover-ups and incompetence. In October 2006, Nisman and another prosecutor formally accused Hezbollah of directing the attack, with the backing of the Iranian government; a charge Teheran has repeatedly denied.

In January 2013, Iran and Argentina reached an agreement about creating a truth commission, the terms of which were seriously criticised by the US, Israel and the Argentine opposition, to investigate the bombing. In May 2014 the Argentine supreme court struck down the agreement to hold the commission and the investigation has been in stasis ever since.

According to Nisman’s 300-page document, President Fernández and her officials wished to exonerate leading Iranian officials suspected of involvement in order to “establish trade relations to mitigate Argentina’s severe energy crisis, through an exchange of oil for grains”. In his report, he claims that “the President diverted the investigation, abandoning years of a legitimate demand for justice and sought to free the accused Iranians, despite their proven ties with the attack. She decided to fabricate ‘the innocence of Iran’”. Nisman argues that Buenos Aires and Teheran set up a clandestine communications channel to facilitate this agreement. The evidence for his claim is principally based on phone intercepts.

The government has robustly denied the charges. Aníbal Fernández, the secretary to the presidency, called the accusations “ridiculous”. At a press conference on 14 January, he said, “filing a complaint against the President for using her constitutional powers is nonsense”. The potential presidential candidates linked to the ruling Frente para la Victoria (FPV) also dismissed the charges. Senior opposition politicians, however, have asked to meet Nisman to discuss the allegations. Sergio Massa, a leading opposition presidential candidate, said Nisman’s report showed the futility of signing a memorandum of understanding with a country “which supports terrorism”.

It is unclear how this will play out, politically. The accusations are likely to increase the level of paranoia within government circles. The President and her ministers have often spoken of “coup-mongering” within the opposition. Nisman’s report also sounds the death knell for the truth commission itself, although it was looking extremely unlikely to succeed in uncovering anything useful. A successful prosecution of any of the culprits is further away than ever.

The timing of the report is also interesting. Timerman is under fire at present over his decision to attend the solidarity rally in Paris on Sunday for the French satirical magazine *Charlie Hebdo* as a private citizen, rather than as a representative of the government. Opposition politicians have suggested he did so at the President’s request, to avoid antagonising Iran. Once again, the government has strongly denied this.

Argentine Jews respond

Representatives of Argentina’s 200,000-strong Jewish community responded cautiously to Alberto Nisman’s report. Julio Schlosser, the head of the Argentine-Jewish Association said the news was completely unexpected. “We are now waiting to see if we can meet Nisman to know in detail something we heard about through the media,” he said.

Argentina suspends Pesantar

On 8 January the government of the Argentine province of Tierra del Fuego formally suspended the operating licence of Japanese-owned fishing company, Pesantar. The decision was announced by Argentina's agriculture, livestock & fishing ministry, which said that Pesantar's 'Unidos del Sur' ship stands accused of operating in the South Atlantic waters surrounding the Falklands/Malvinas. According to ministry sources, the decision stems from a formal complaint filed by a Pesantar employee last year, who said that while the firm had permission to operate in the Falklands from the British government, it had not sought permission from the provincial Tierra del Fuego government. A ministerial statement explained that the temporary measure was adopted while the case was investigated.

CHILE | New investment promotion law. On 13 January Chile's President Michelle Bachelet announced that her government would soon submit to the national congress a bill that will seek to enhance and promote foreign investment in the country.

Bachelet made the announcement during an international foreign investment forum, organised by Chile's foreign investment committee (CIE) and attended by 60 executives from 40 foreign companies interested in investing in Chile. The CIE is a government agency that deals with foreign investors and helps to position the country as an attractive destination for foreign investment and international business.

Bachelet explained that the new bill would seek to establish "institutional capacities and a legal framework that allows us to maintain a leading position in terms of foreign investment". If approved, the new bill will replace from 2016 onwards 'Law 600', which up to now has governed foreign investment in Chile and determined the tax regime that different projects fall under.

Bachelet said that included in the initiative is the creation of a new State agency for attracting foreign investment commensurate with the country's needs. Jorge Pizarro, the executive vice-president at CIE, said that the new agency would seek to "move from the passive policy of receiving investment to an active policy of attracting foreign investment". Meanwhile Economy Minister Luis Felipe Céspedes noted that the aim of the initiative is to attract investment to economic sectors which are currently lacking in order to move forward in a process that "is key to our country, to diversify and add knowledge and value to the goods we produce". The challenge is to generate a more productive economy, and "in terms of innovation, we will work to bring out all of our potential", Céspedes said.

According to figures from Chile's central bank (BCCh), between January and October 2014 foreign direct investment (FDI) grew by 7% year-on-year to US\$17.45bn, while between 2009 and 2013 total FDI amounted to US\$100.86bn. During that period (2009-2013) the mining sector received 44.9% of resources (US\$45.28bn), followed by the services sector with 17.6% (US\$17.75bn), and the electricity, gas and water sector with 10.2% (US\$10.3bn). However, Pizarro has pointed out that, beyond the numbers, what matters is that Chile is a strong market for foreign investment and business opportunity and that assurances are given to foreign investors.

URUGUAY | Electricity tariff increase. On 14 January the Uruguayan government decided to increase electricity tariffs by 6.9%, a rate significantly higher than the initial rate of 3.9% proposed by the state-owned electric company, Administración Nacional de Usinas y Trasmisiones Eléctricas (UTE).

The outgoing President José Mujica has not commented on the controversial decision that has been questioned by some in the opposition given that it comes at a time of falling oil prices that should lower UTE's production costs. But Gabriel Frugoni, the head of the planning & budget office said that "a 6.9% increase is being proposed when inflation is at 8.3%. Let's contextualize this and consider other increases that have been made, like pensions at 12% [...] This is the context of comprehensive policies".

Deputy economy minister, Jorge Polgar, has also justified the decision, noting that public entities such as UTE have in recent years applied restrained price increases as a way to help "moderate inflation".

But this view was criticised by Partido Independiente (PI) Senator Pablo Mieres, who described it as "bad practice". Mieres and other opposition politicians see the electricity tariff increase as inconsistent with the fact that domestic fuel prices have fallen by around 3.8% on the back of declining international oil prices. They argue that the decision to increase electricity tariffs at this time represents an attempt to implement a covert "fiscal adjustment" to shore up public finances.

Industry Minister Roberto Kreimerman stated at a press conference that the increase also answered to the government's efforts to promote the efficient use of energy. Kreimerman, nevertheless, added that it is expected that electricity tariffs will decrease by 20% by the end of 2015. An increase to water tariffs is also soon to be announced.

Michoacán concerns

Alfredo Castillo was summoned to appear before the federal congress on 13 January to present a progress report a year after the launch of the federal intervention in Michoacán and amid concerns over the resurgence of violence in the state. Castillo said that the security forces had made strides in restoring order and bolstering public security, claiming that the security situation was “under control”. He added that “today there cannot be talk about a failed state”. But opposition legislators were not convinced. Deputy Roberto López Rosado of the left-wing Partido de la Revolución Democrática (PRD) told Castillo that “Our view is that your vision completely contrasts with the reality that *michoacanos* and all Mexicans see... that Michoacán is once again facing an extremely worrying security crisis”.

Unrest in troubled states raises electoral doubts

No scheduled elections have been postponed, much less cancelled, in Mexico since 1917. While the federal government led by President Enrique Peña Nieto would like to keep this proud record unblemished, the persistent unrest in the troubled states of Guerrero and Michoacán has led to growing calls for the 7 June midterm federal legislative, state and municipal elections in these states to be suspended. The Peña Nieto government may not like having to take such a drastic measure, but with signs that the unrest could quickly spread to other states if the crises in Guerrero and Michoacán are not resolved, it may have to start considering this seriously if it wants to avoid compromising the entire electoral process.

The Peña Nieto administration maintains that the holding of the 7 June elections will ultimately help to resolve the security and political crisis that currently afflicts Mexico, and that mainly stems from the mass protests over the September 2014 abduction and presumed murder of 43 trainee teachers from the town of Iguala in Guerrero; and the major security crisis affecting large areas of Michoacán since 2013. Mexico's 32 federal entities are scheduled to elect new representatives to the 500-seat federal chamber of deputies. In addition 17 states are due to hold state legislative and municipal elections. Of these, nine (including Guerrero and Michoacán) are also due to elect new state governors.

The federal government insists that electing new federal, state and local representatives in both Guerrero and Michoacán will be instrumental to restoring order. Both Guerrero and Michoacán are currently run by interim state administrations after their respective elected governors resigned last year due to the serious problems uncovered in their states. In Guerrero the governor was forced to step down after it became clear that municipal police officers were implicated in the Iguala abductions and suspicions that state government officials, including cabinet ministers, may also have been involved. In Michoacán the governor stepped down after the ‘self-defence’ groups of armed vigilantes that emerged in the state to fight organised crime accused him and prominent members of his administration of colluding with the criminals.

But the relatives of the Iguala disappeared, who have been leading a nationwide protest campaign, maintain that the crisis will not be resolved until what happened to the missing is cleared up and all those involved are identified and brought to justice. They insist that only once this has taken place can there be true catharsis in Guerrero; and that holding elections before then is pointless. The relatives have been calling for the elections to be suspended until the disappeared are found, so that the authorities are not distracted from the investigation. They have also threatened to step up their protest campaign to prevent the elections from being held if they are not called off.

Iguala protests kick-up another gear

So after the national electoral institute (INE) formally launched the pre-electoral campaign period on 10 January by declaring open the month-long candidate registration period, the Iguala protesters intensified their actions. On 12 January a group of protesters marched down to the army's 27th battalion barracks in Iguala demanding to be allowed in to look for the missing. Lately some victims' relatives have accused the army of being aware that the Iguala municipal police was planning to kidnap the students but doing nothing to stop this. They claim to have evidence that some of the abductees contacted the military and asked for help when they came under attack prior to the abductions but that army officers refused to assist them.

This has led to the protesters turning on the military, which has been

Osorio Chong defends military

After announcing that Sedena had agreed to grant access to military bases to the relatives of the Iguala disappeared, Miguel Angel Osorio Chong also said that “Sedena, through me, will now also formally invite the CNDH to visit the Iguala base and inspect its facilities”. He then revealed that back in December 2014 the federal government had already indicated that it would allow relatives access to military bases as requested but that no formal request was ever made. “There is an interest in involving the army and federal forces in the Iguala incidents and the federal government categorically rejects these groundless allegations,” Osorio Chong remarked.

massively deployed to Guerrero and other restive areas of the country to reinforce security. Some protesters now believe that the army was somehow involved in the incident and that the disappeared (or their bodies) may be held by the military. They are now demanding full access to military barracks (particularly the one in Iguala) where they believe that the missing are being kept. A number of protesters attempted to enter the Iguala barracks forcefully on 12 January after they were denied access. This led to violent clashes as they were dispersed by soldiers and riot police.

Following this clash, similar protests took place the following day not just in Iguala but also army bases in four other states and even Mexico City. Protesters vandalised army bases in Michoacán, Oaxaca, Chiapas, Veracruz and outside the presidential guard’s headquarters in Mexico City. The majority produced only material damages but in Iguala there were violent clashes once again. Indeed, according to the defence ministry (Sedena), 11 soldiers and five federal police officers were seriously wounded during the 12-13 January Iguala protests. The protesters claim that dozens of their colleagues were also injured.

Michoacán violence

While social unrest is the major concern in Guerrero, the resurgence of self-defence groups is the main concern in Michoacán. Following last year’s federal security intervention in Michoacán, large swathes of the state were placed under the direct control of the federal security forces and under the leadership of federal commissioner, Alfredo Castillo. The federal forces have succeeded in restoring some order to the state after Castillo struck a deal with the self-defence groups to demobilise formally or be subsumed into a regular rural police force. But rogue self-defence groups resurfaced in Michoacán in late December 2014. These say that they have re-organised due to the security forces’ failure to dismantle local criminal organisations and ensure the local population’s safety.

The re-emergence of self-defence groups has led to deadly armed clashes between these, presumed criminals and the security forces in recent weeks. At least 26 people have been killed in such incidents since 17 December 2014. The latest incident took place a day after INE opened the candidate registration period, on 11 January, when five people were killed in a shootout in the municipality of Aquila. The concern is that Michoacán could now once again see a major upsurge in violence, casting serious doubts over whether elections could be successfully organised there (*see page 11 sidebar*).

Federal authorities begin to worry

Until last month federal authorities were adamant that despite the concerns over the viability of holding the elections in places like Guerrero and Michoacán they would go ahead. Lorenzo Córdova, the head of INE, insisted that the elections would be held “come what may”. But on 8 January Córdova for the first time admitted that INE is facing serious difficulties in organising the elections in Guerrero and that “we may have to readjust” the process there. Córdova refused to confirm if this meant re-scheduling or suspending the elections, limiting himself to saying that INE would carefully analyse the situation.

Meanwhile, following the two days of violent protests at the Iguala army barracks, Interior Minister Miguel Angel Osorio Chong held a meeting with relatives of the disappeared on 13 January. Afterwards Osorio Chong said that the federal government had agreed to allow them access to any army bases that they wished to search. The following day Osorio Chong confirmed that Sedena had agreed to this and that the national ombudsman’s office (CNDH) would be asked to accompany the relatives (*see sidebar*). The unprecedented move to open up army bases to the public is clearly an attempt by the federal government to ease the tensions in Guerrero and prevent the federal security forces from completely losing the public’s confidence. But if the missing are not found soon this may not be the last major concession that the Peña Nieto government is forced to make.

Five years on Haiti remains on shaky ground

A “tragic lack of progress” is how the international human rights NGO Amnesty International (AI) described the situation in Haiti vis-à-vis reconstruction efforts on the five-year anniversary of the devastating earthquake that left some 230,000 people dead, 300,000 injured and 1.5m homeless. The renewed scrutiny of progress (or lack thereof) regarding these efforts comes as the political situation in Haiti appears more fragile than ever after President Michel Martelly failed to secure a political deal preventing the legislature becoming inoperative after legislators’ terms expired on 12 January.

With the international community and financial institutions having pledged some US\$13.34bn in humanitarian and recovery funding during the post-earthquake response, the US, other international actors, and the Martelly government itself, have claimed some progress regarding reconstruction efforts. For example a 9 January press release by US Secretary of State John Kerry noted that “the number of displaced persons in tent camps is down more than 90 percent”.

Highlighting that the US has made available US\$4bn for relief and longer-term reconstruction efforts over the past five years (of which 77% had been disbursed as of September 2014), the same press release points to other achievements. These include the fact that 328,000 displaced Haitians have found alternative shelter, “nearly half of all Haitians can access basic health services at a U.S. supported facility”, “3,300 new police officers were trained and commissioned” (in support of the government’s goal to reach 15,000 officers by the end of 2016) and “some 5,000 jobs to date were created at the Caracol Industrial Park”.

Yet an earlier (29 December 2014) press release by the US State Department acknowledges that “much more remains to be done” with just 36% of the estimated 7.4m cubic metres of earthquake rubble removed for example. The same press release also acknowledges the difficulties in addressing the crisis in housing – the sector most affected by the earthquake – which existed even prior to 12 January 2010. With 250,000 houses destroyed or severely damaged by the quake (adding to an existing deficit of 700,000 units), the press release acknowledges that “during implementation of the new settlements program, impediments surfaced to realizing significant new housing construction plans”.

The AI report, which was published on 12 January, was considerably more damning. Entitled “15 minutes to leave” – *Denial of the right to adequate housing in post-quake Haiti*, the report notes that on the latest data (September 2014) 123 camps for internally displaced people (IDPs) remain open in Haiti, housing 85,432 people while most camps have “no access to even the most essential services”. As well as concerns regarding forced evictions, the report noted as examples the fact that in June 2014, “only 67% of camp residents had access to latrines and the average number of people per functioning latrine was 82.”

The same report also raises doubts about the quality of housing solutions provided in response. It notes that while around “37,000 houses are known to have been repaired, rebuilt or built”, less than “20% of the housing solutions provided as a response to the disaster could be seen as long-term or sustainable”.

Parliament paralysed

In an interview with the US media organization NPR, on 12 January, the US State Department’s Special Coordinator for Haiti, Thomas Adams, cited a weak government as one factor contributing to the slowness of progress vis-à-vis

Forced evictions

The Amnesty International report notes that with more than 60,000 people having been forcibly evicted from their shelters since 2010, “forced evictions from camps are a serious and ongoing problem”, a threat facing about “a quarter of those remaining in camps.

DR-PR boost ties

On 13 January the Dominican Republic's President Danilo Medina travelled to Puerto Rico where he met the governor of the island, Alejandro García Padilla. President Medina was accompanied by a delegation of top officials including the ministers of the presidency (Gustavo Montalvo); foreign relations (Andrés Navarro); agriculture (Ángel Estévez); higher education (Ligia Amada Melo); trade and industry (José del Casillo Saviñón); and the environment (Bautista Rojas Gómez). Medina's visit follows that by García Padilla to the Dominican Republic last September at which point both pledged to strengthen cooperation mechanisms between the two governments. Areas of closer cooperation identified include trade, foreign investment and security, among other things.

reconstruction efforts. Pointing out that "Haiti has about 55,000 government officials for a population of 10 million", he attributed "a lot of the delays in reconstruction" to "weak government capacity, slowness on making decisions, slowness in settling land-tenure disputes, a judiciary system that's very weak."

Given existing concerns about weak government and instability, President Martelly's ultimate failure to avert the political crisis caused by the expiry of the terms of all 99 deputies and a further 10 senators on 12 January (with 10 seats in the 30-member senate already vacant), despite last minute hopes for a deal [WR-15-01] is unlikely to inspire much donor confidence.

As per the 1987 constitution this authorises Martelly to rule by decree. While the President has promised to decree elections before the end of the year, with no provisional electoral council (CEP) currently in place or even a prime minister and plan of government (following the legislature's refusal to ratify Martelly's choice of Evans Paul [WR-15-01] at the start of the year), it is unclear what will happen.

It is, however, worth pointing out that crucially for Martelly, he would appear to have the backing of key international actors like the United Nations (UN) and the US – a situation likely to exacerbate existing anti-US sentiment.

On 11 January the US embassy issued a statement saying that "If such a solution cannot be reached by January 12, the U.S. will continue to work with President Martelly and whatever legitimate Haitian government institutions remain to safeguard the significant gains we have achieved together since the January 12, 2010 earthquake". Two days later Sandra Honoré, the Special Representative of the UN Secretary-General in Haiti, and the so-called 'Core Group' (comprising the ambassadors of Brazil, Canada, France, Spain, the US and the European Union; and the Special Representative of the Organization of American States) issued a statement expressing support for Martelly in "the exercise of his constitutional duty to ensure the regular functioning of institutions".

Dominican-Haitian border tensions rumble on

Last week the government of the Dominican Republic sent its Haitian counterpart a note of protest after a group of Haitians invaded the Dominican consulate in the Haitian commune of Anse-à-Pitres, in Sud-Est Department on 2 January, taking six employees and three military officials hostage. The Haitians were demanding the release of several Haitian fishermen detained for illegally fishing in Dominican waters.

This has not been the only recent source of border tensions. A month earlier a group of Haitians threw stones at the Dominican consulate in Juana Méndez, a city in Haiti's Nord-Est Department, causing personnel to be evacuated. This followed tensions on 28 November in Haiti's Fort Liberté, Ouanaminthe, and other border towns stemming from demands by Haitians for a reduction of taxes levied on Dominican products bought across the border, as well as more general basic necessities like access to electricity and drinking water.

Things came to a head on 30 November when, amid the protests, a Dominican lorry driver was hit with a projectile in the Juana Méndez area, causing him to lose control of his vehicle and kill a young Haitian girl. Reports that the Haitian police had arrested the driver, who was subsequently denied medical treatment for the injuries he sustained from the crash, further enraged his fellow lorry drivers, prompting the Dominican national federation of transport workers (Fenatrado) to block the main access road to the international market at the border town of Dajabón in demand of his release. Prior to that, on 28 November, seven Dominican drivers were taken hostage by Haitian protesters in Fort Liberté, although they were rescued the following day by the UN Stabilisation Mission in Haiti (Minustah).

While bilateral relations have been dominated by the issue of migration, following the September 2013 ruling by the Dominican constitutional court (TC) that children of non-resident foreign nationals born in the Dominican Republic before 2010 do not have the right to Dominican nationality, both recent incidents illustrate that other sources of bilateral tension persist.

Turning a corner

Migrant children

Ban Ki Moon said he remained concerned about the problem of unaccompanied migrant children. According to the latest data from US Border and Customs, there have been 8,101 'apprehensions' of Unaccompanied Alien Children (UACs, 0-17 yrs old) on the US Southwest border to date in Fiscal Year 2015 (i.e. October-December 2014), compared with 12,852 in the same period of Fiscal Year 2014 (i.e. October-December 2013), a drop of 38%. This data does not include 'family units' apprehended (typically mothers and young children), which are reported separately.

In Tegucigalpa on a two-day official visit to Honduras on 14 January, the Secretary General of the United Nations, Ban Ki-moon, congratulated the country for its progress in reducing its world-beating homicide rate, praising President Juan Orlando Hernández for his "strong leadership" in acting to "protect human dignity and, above all, save human lives".

President Hernández has now been in office for a year. While the government has celebrated a significant drop in the official number of homicides (*see box below*), Hernández admitted in his New Year's address that extreme violence remains a daily part of life for citizens and is "unacceptable". And despite some rather controversial measures, the overall security situation is not yet registering the kind of major improvements required on the ground to allow the country to return to something approaching 'normality'.

On 7 January Hernández announced a cabinet reshuffle, mostly aimed at boosting efforts to tackle the endemic violence and social dislocation in the country, last year exposed for the world to see during the 'migrant children crisis' on the Mexico-US border (*see sidebar*). Some of the main changes were pre-announced late last year, including new appointees to the helm of the security and foreign ministries, which coincided with a fresh shake-up of the police as part of ongoing restructuring efforts. Thus in early December General Julián Pacheco Tinoco, formerly head of the state intelligence directorate (DNIIE), was appointed to the helm of the security secretariat, the first time that a serving army officer has been appointed to that position. General Pacheco was brought in to replace Arturo Corrales, who was switched back over to the foreign ministry, a post he previously held.

Elsewhere: Leo Castellón is the new head of the Empresa Nacional Portuaria; Ricardo Cardona is the new social development secretary; Olga Alvarado is the new deputy social development secretary; Luis Colindres is the new head of the national supplier of basic products (Banasupro); Ricardo Cardona is the new director of the merchant navy; and Daniel Flores is the new head of the institute of credit for education (Educrédito).

Latest homicide data show an important drop

According to new security ministry figures, the homicide rate fell to 66.5 per 100,000 inhabitants in 2014, down 8.6 points on the previous year and almost 22 points lower than a peak of 86.5 reached during the presidency of Porfirio Lobo Sosa (2010-2014). The 12-month figure (running from December 2013 to November 2014) is based on data published by the new online police statistics system (Sepol), which reported 5,832 cases of homicide to end November 2014, or 9.3% fewer than in 2013. The Observatorio de la Violencia (OV), which has challenged official homicide figures as too low, said that its own statistics for 2014 were "similar". In November, the OV said that the year would end with a rate below 70 per 100,000 — 26 points lower than the 86 it calculated for 2013.

Ban, who will open up a new UN office in Honduras, was also scheduled to meet legislative deputies and supreme court magistrates, as well as the human rights commissioner, Roberto Herrera, among other officials. He said he was pleased by the joint efforts of the so-called Northern Triangle countries (Guatemala, Honduras and El Salvador) to improve the social and economic conditions of people living in the drug-trafficking scourged region through the new Alliance for Prosperity initiative.

Quotes of the week

“I invite the people to mobilise. Yes, this is the moment for street protests; it is the moment to express what we feel; it is the moment to pressure [the government] so that, once and for all, the country gets the changes the majority of Venezuelans want.”

Venezuelan opposition leader Henrique Capriles Radonski.

“If it is false that you have relatives that are criminals, and by criminals I mean those that have committed a crime, I apologise. If it is false that the erratic behavior of your congressman brother [Kenji Fujimori] owes to mental problems, I apologise.”

Peru's interior minister, Daniel Uresti, tweets an 'apology' to Keiko Fujimori for a previous insulting 'tweet'.

“We cannot return to the initiative [...] of negotiating with the mara gangs, because this was illegal. We must pursue them and punish them for being illegal.”

El Salvador's President Salvador Sánchez Cerén on the 2012 gang 'truce'.

Tension mounts ahead of key elections in El Salvador

El Salvador's President Salvador Sánchez Cerén appealed to voters at the weekend to think long and hard about whom to back in the country's legislative and municipal elections on 1 March. Sánchez Cerén argued that his government needs legislative “support” to approve pending loans of more than US\$650m, which he said were necessary to improve schools, the health service, sport and housing across the country. The political opposition accused Sánchez Cerén of blatant interference in the electoral campaign, which officially began on 31 December, and called on the supreme electoral tribunal (TSE) to sanction him.

Speaking on his Saturday television and radio broadcast ‘Gobernando con la gente’ (‘Governing with the people’) on 10 January held in Apopa, in San Salvador department, President Sánchez Cerén said that important loan packages were mired in congress “because we don't have enough votes” to approve them. “I hope that they're not going to accuse me of propaganda but [...] think well about whom to give your vote,” he added. Accuse him they did. The president of the main right-wing opposition Alianza Republicana Nacionalista (Arena), Jorge Velado, led the way by saying that Sánchez Cerén should not be calling on voters to back anybody; that the FMLN was running scared; and that he would turn to the TSE. Velado is unlikely to meet with much success. The TSE has shown no propensity to sanction violations of the electoral code pertaining to undue interference in electoral campaigns.

Some voters could be disinclined to entrust Sánchez Cerén with a working majority in the legislative assembly. While he has only been in power for seven months, a spiralling murder rate could damage the FMLN's electoral prospects. In 2014 there were 3,942 murders, according to the supreme court's institute of legal medicine (IML), an increase of 57% over 2013.

Sánchez Cerén ruled out on 5 January a repeat of the ‘truce’ with the mara gangs struck in 2012 which brought the number of homicides down sharply. He argued that the respite accorded the gangs during the truce had allowed them to regroup, expand and strengthen themselves. Much the same argument is advanced by Colombia's President Juan Manuel Santos to rule out a bilateral ceasefire with his country's guerrilla groups. René Portillo Cuadra, Arena's vice-presidential candidate last year who is seeking election as a deputy for San Salvador, said his main focus in the legislative assembly would be improving citizen security. He said that the murder rate averaged 15 per day in the first two weeks of the year.

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