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Peru's Humala faces threat of spiralling social conflicts

President Ollanta Humala is desperately trying to douse the flames of social conflict in some of Peru's poorer regions. Two 'indefinite strikes' in a matter of weeks have raised concerns that latent social conflicts elsewhere could ignite and spread like wildfire. This is a disturbing prospect for the Humala administration, which is striving to boost foreign investment in extractive industries to drive Peru's flagging economy. But with new laws relaxing regulations governing the extractive industries, streamlining environmental impact studies and fast-tracking permit approvals, there could be plenty more 'indefinite strikes' in the offing.

The southern highland region of Apurímac is no stranger to protest. Apurímac, with 21, is currently second only to Ancash (24) for the region with most social conflicts in Peru, out of a national total of 211 (active and latent). But nothing has grabbed the attention here quite like the murder of a local mayor and large-scale protests against a State electricity distributor since a revolt in the regional capital of Andahuaylas in January 2005 led by President Humala's brother Antauro, whose raid on a police station claimed seven lives and saw him sentenced to 25 years in prison.

On 12 March some 10,000 people staged an 'indefinite strike', blocking roads in and around Andahuaylas to protest at overcharging by the local electricity distributor, believed to have affected about a quarter of its 42,000 customers in the region. Four days later, with food supplies seriously affected in the highland regions and 30 people injured in violent clashes with the police, the central government was forced to the negotiating table.

An advance team started negotiating with the protest group, Comité de Lucha de Andahuaylas, who demanded that the prime minister, Ana Jara, come in person. This she did, and managed to persuade the protesters to suspend their strike after signing an eight-point accord on 17 March. By this stage, the strike had also spread to the neighbouring province of Chincheros. After five hours of talks Jara, and the energy and mines minister, Rosa María Ortiz, signed the accord with the representatives of the protesters in Andahuaylas and Chincheros, Julián Merino and Freddy Ramírez Flores respectively.

The protests were different to those in Pichanaki, in the region of Junín, in February, which was directed against a private company, Argentina's Pluspetrol, carrying out oil exploration [WR-15-08]. Generation and transmission of electricity is primarily carried out by private companies in Peru but distribution is largely in the hands of State companies: 10 of the country's 13 electricity distributors are public, including the local distributor in Apurímac, Electro Sur Este (Else).

Death threats

The provincial mayor of Cotabambas, Odilón Huanaco, who, like Alberto Roque, represents the regional movement Kallpa and attended the Cuzco meeting with representatives of Electro Sur Este (Else), demanded an exhaustive investigation to get to the bottom of the crime. Huanaco travelled to Lima to complain that mayors in the area had faced constant death threats since last October's regional and municipal elections.

The catalyst for the protests was Else's decision to try and rectify a billing mistake last December, when it charged for just 25 days, by increasing bills enormously in January, but there was already widespread disenchantment with the poor service: there were 46 power cuts in Andahuaylas in 2014, according to the State energy and mining investment regulator Osinergmin.

Jara accepted the demand of the protest leaders to send a request to congress to approve legislation to create a 'social tariff', containing a subsidy for marginalised and underprivileged families in Apurímac, as well as compensating consumers affected by the high tariffs charged by Else in January, and sanctioning those responsible for the decision.

Jara's trip to Apurímac is part of a series of meetings the central government has held with local mayors in the region to try and defuse tension erupting between the general public and energy and mining companies. In February the government held three meetings with the local authorities of the municipality of Challhuahuacho, in the province of Cotabambas, to address social discontent over the Las Bambas copper mining project of the Chinese company MMG.

Mayor murdered in midst of Apurímac protests

Early in the morning after Jara struck the accord in Andahuaylas, the mayor of Mara in Cotabambas, Alberto Roque, was murdered. He was gunned down by hitmen after returning by car from a meeting with Else officials in Cuzco, where the firm's main headquarters are based.

Jara immediately condemned the murder, which she said was clearly political as nothing was stolen from Roque. She argued that the perpetrators were "radical groups opposing the rule of law", and that there was reason to suspect that the murder was designed to "send a subliminal message, a warning" to local authorities that sought dialogue with the government to help resolve social conflicts and promote the development of the area.

Roque had called a meeting of community leaders in the district and wider Apurímac provinces for 22 March to discuss a common platform for opposing Las Bambas, which is entering the final phase of construction. Roque had won the support of community leaders to demand the signing of a framework agreement to require MMG to provide employment to local residents as well as social assistance as part of the company's social responsibility contract.

Tía María mining project

No sooner had Jara achieved the "temporary suspension" of the indefinite strike in Apurímac than another strike was declared in the contiguous region of Arequipa. Hundreds of protesters from Valle del Tambo in the Arequipa province of Islay launched the strike on 23 March against the Tía María copper-silver mining project run by Southern Copper, burning tyres and blocking main roads, including the South Pan-American highway. Southern Copper is planning US\$1.2bn investment in the project and anticipates annual production of 120,000 tonnes of copper cathodes when the mine comes on-stream in 2017.

The leader of the protesters, Jesús Cornejo, said Tía María would damage agricultural activity in the region. He urged the government to intervene before there were "consequences that it might regret". The government swiftly dispatched 2,000 police to the area, but this might have inflamed the situation. By the third day of the strike, on 25 March, 4,000 protesters from the area were demonstrating, the majority of these blaming the police for the death of one of their number, Carlos Enrique Rondón. The head of the regional police, General Enrique Blanco, insisted that Rondón had died in a traffic accident. The last protests called in Islay by groups of *campesinos* in 2011 resulted in three people being killed and 44 injured.

Correa faces down large-scale protests

Not far short of 10,000 protesters took to the streets in 14 cities across Ecuador on 19 March to demonstrate against a range of laws and reforms planned by the government led by President Rafael Correa. The protests were organised by the trade union, Frente Unitario de Trabajadores (FUT), and the main indigenous organisation (Conaie). Correa downplayed the protests as divided and weak while simultaneously, and somewhat paradoxically, insisting that they were an attempt to destabilise his government.

The largest protest march was in Quito where some 4,500 protesters demonstrated against labour laws impinging on the right to strike, while demanding salary increases and universal social security. Conaie protested against a proposed new land law, currently being debated by legislators, which it argues will strip the indigenous of their ancestral rights, and an integral agrarian reform. Conaie also protested against various laws already in place, such as a water law, which it contends makes it easier for large industries, such as agribusiness or mining companies, to have priority access to water sources to the detriment of small farmers; and a communications law, which it argues restricts freedom of speech. Others protested against the government initiative to replace Ecuador's 3.5m gas kitchens with electric induction hobs within two years, and demanded the retention of the gas subsidy the government is seeking to abolish.

President Correa described the protest marches as "a failure". He also claimed that after inaugurating a health centre in Riobamba, the capital of the central province of Chimborazo, opposition protesters tried to set upon him and his "caravan of supporters" with bottles and stones. Two of his supporters in Riobamba were injured; 11 protesters were arrested. Correa maintained that one of the attackers belonged to the Marxist-Leninist Movimiento Popular Democrático (MPD), estranged former allies now in open opposition. Correa said they were "hypocrites" who "talk about democracy, peace and non-criminalisation of protests but they are the violent ones."

Correa also savaged social movements for taking part in the protests and helping the "most conservative groups of the opposition" to try and "wear down" his government. "The 'radical Left', kamikaze of the Right, the same old story in the Americas, is trying to sabotage the Revolution. They are trying to discredit the government, distract us in a difficult economic year", Correa wrote on his Twitter account. He said his government had done more than any of its predecessors to defend the underprivileged "against abuses", insisting that "many of these unions impoverished the State [...] imposing their abuses". The organisers of the marches specifically said they did not want "the Right" to join in the protests in order to prevent the government from making false claims of an underlying destabilising intent.

Correa benefits from disunity

Despite the impressive turnout for the protest marches, which have been few and far between under Correa given Ecuador's tumultuous history of political upheaval before he came to power, there was no single issue uniting the protesters. Nor was there unity amongst the trade union and indigenous movements. The Central Unitaria de Trabajadores (CUT) trade union opposed the march and criticised the FUT, saying it did not represent "the democratic and peaceful feelings of the Ecuadorean people or the majority of the country's workers".

Correa has also successfully divided Ecuador's once-powerful indigenous movement (*see sidebar*). The ruling Alianza País (AP) and the leaders of

Conaie dissident movement

Former Conaie president Antonio Vargas has forged a dissident faction of the indigenous movement, along with other historic leaders, Miguel Lluco and Delia Caguana, which claims to speak for the indigenous grassroots deserted by the present leadership. "[Conaie] is not about three or four people with a belligerent rhetoric. They have renounced the management of the communities to make an absurd political opposition," Carlos Viteri Gualinga, a deputy for the ruling AP and Conaie dissident, said in a scathing attack on the Conaie leadership.

Delgado

Pedro Delgado tendered his resignation and travelled to Miami when it emerged that he had lied about obtaining an economics degree in order to study for an MBA at the Incae Business School in Costa Rica. President Correa accused Delgado at the time of “a tremendous betrayal of the president’s confidence [and] a big embarrassment for the Citizens’ Revolution”. Correa also said that the episode had “given carrion to the vultures to feast on.”

Ecuador’s second largest indigenous organisation Fenocin met at the tail end of 2014 to forge the Alianza Indígena por la Revolución Ciudadana to try and unite the indigenous sector behind Correa’s Citizens’ Revolution. And Conaie has become more divided since the political opposition has started to show signs of life [WR-15-11]. On 23 February regional leaders within Conaie and grassroots members from across Ecuador attended a meeting with government officials in the western province of Santo Domingo de los Tsáchilas. “The Right is uniting,” warned a former Conaie president, Antonio Vargas, pointing out that the Correa administration had done a lot for the indigenous, especially enshrining the plurinational state in the constitution, unlike previous governments.

Gilberto Guamangate, an AP deputy who defected from Conaie’s political arm Pachakutik, accused big indigenous organisations of having let down their communities by failing to bring about the change pursued by Correa. Others took aim at Conaie’s leadership. Correa himself is careful to stigmatise Conaie’s leadership rather than its members. He recently announced that Conaie would have to leave its headquarters of more than two decades in Quito to make way for a drug rehabilitation centre for adolescents because the indigenous group’s leadership had been making “political use” of the building, which was loaned to Conaie in 1991 by the ministry of social wellbeing.

The eviction of the Conaie leadership, which has made far greater “political use” of the space during previous governments (playing a key role in bringing down two governments in 2000 and 2005), is part and parcel of the government strategy to divide and conquer the indigenous sector ahead of what it sees as a big showdown with the Right in the 2017 presidential elections. Correa is concerned about his considerable political support being eroded by lower oil prices, which will constrain public spending on health care, education, and social welfare; and the strong US dollar, which is hurting Ecuador’s exports to its neighbours.

It is noteworthy that various sectors used the latest protest march to demonstrate against the increase in prices of certain products as a result of the variable tariff barriers slapped on one-third of Ecuador’s total imports, recently announced by the new foreign trade minister, Diego Aulestia. The variable tariffs apply to 2,800 products, primarily consumer goods. Medicine, primary commodities and essential capital goods and inputs required by domestic industry are exempt.

The tariffs range from 5%, on ‘non-essential’ capital goods and commodities, to 45% on final products such as televisions and motorcycles. Aulestia said the tariffs would apply to some US\$8.5bn of imports, adding that he hoped they would improve the country’s trade balance by US\$2.2bn. Aulestia also confirmed that the tariffs ranging from 7% to 21% which Ecuador had imposed on its partners in the Andean Community (CAN), Colombia and Peru, had been eliminated.

Correa’s cousin convicted of embezzlement

Pedro Delgado, a cousin of President Correa, was convicted of embezzlement by the national court of justice (CNJ) on 15 March for irregularities surrounding the award of a US\$800,000 loan to an Argentine businessman, Gastón Duzac, in 2011.

Delgado was head of the government entity, AGD-CFN Trust Fund No More Impunity (which was established to recover funds for depositors from bankrupt banks), when Duzac was fast-tracked the loan from the Cofiec bank, owned by the AGD.

The attorney general, Galo Chiriboga, said he would not be appealing the sentence as he agreed with the ruling by the national court of justice (CNJ), adding that the government was seeking the extradition of Delgado, from the US, and Duzac, from Argentina. Delgado, who went on to become central bank president in November 2011, is also being pursued for the false use of documents enabling him to win promotion unjustly (*see sidebar*).

Fondioc scandal

The Fondioc scandal broke on 12 February, when the comptroller general, Gabriel Herbas, made public the findings of the first phase of an audit of the fund, which was set up in 2005 and receives 5% of the proceeds generated by the hydrocarbons tax (IDH). Herbas's audit identified economic damage to the State to the tune of some B\$71m (US\$10m) via 153 projects that had been paid for but ultimately failed to materialise. The Fondioc sits under the rural development & land ministry, but its board of directors is made up of representatives from eight of the country's main indigenous organisations, including the Federación de Mujeres Campesinas Bartolina Sisa (Bartolina Sisa) – of which Huanca is a leader.

Democracy concerns build ahead of elections

A leading opposition contender has been barred from taking part in the 29 March gubernatorial and local elections by the electoral authorities (TSE). The move comes amid other developments that have left the Movimiento al Socialismo (MAS) government led by President Evo Morales subject to accusations of behaving undemocratically ahead of the vote.

On 20 March the TSE's president Wilma Velasco, announced the court was cancelling the candidacy of Ernesto Suárez, the Unidad Demócrata (UD) gubernatorial candidate for the eastern department of Beni. Velasco said that the UD (which comprises the Unidad Nacional party of cement magnate Samuel Doria Medina, and Movimiento Demócrata Social – the rump of the former regional opposition governors' bloc, Consejo Nacional Democrático) had violated electoral law by publishing its own voting polls prior to the election. The decision applies only to the UD within Beni but means that the other 227 UD candidates in the department are now barred from running.

Suárez who stood as the UD's vice-presidential candidate in the October 2014 general election had previously served as Beni's governor (2006-2012) although he was forced to quit in May 2012 over corruption charges, which he claimed were trumped up. Following his resignation, elections took place in January 2013 and were won by Carmelo Lens (UD), who convincingly defeated the MAS candidate, Jessica Jordan, by 52%-44%.

The TSE's latest decision has provoked outrage, particularly given that Beni was the one (out of nine) departments where the MAS did not secure a majority in the recent general elections and Suárez was widely expected to win. The latest poll by Ipsos (see box) showed him with 36% of voter intentions to 25% for the MAS candidate Alex Ferrier. Suárez has since thrown his backing behind another opposition candidate, Carlos Dellien, of the regional political grouping Nacionalidades Autónomas por el Cambio y Empoderamiento Revolucionario (Nacer) after the UD and Nacer agreed a deal on 23 March.

President Morales was also accused of undemocratic behaviour when he suggested at a public event on 28 February that the national government would neither cooperate with opposition-elected local governments nor carry out investments in those areas. This led the UD to file a complaint before the TSE accusing Morales of breaking electoral law, which sanctions any public official who attempts to "coerce, threaten or exercise violence" as part of efforts to influence the vote. This complaint has yet to make any progress.

Latest polls

The latest Ipsos poll published on 17 March in the local press showed the MAS winning just five regions (Cochabamba, Potosí, Oruro, Chuquisaca and Pando), although on average 35% of those polled were undecided so it should be taken with a pinch of salt. As well as Beni, the other traditional opposition bastion is Santa Cruz where the incumbent Rubén Costas (UD), who is seeking re-election, is on 56% of voting intentions ahead of the MAS's Rolando Borda who is on 14%. In Tarija, another former opposition bastion, Adrián Oliva (Unidad Departamental Autonomista), is on 39% to 16% for Pablo Canedo (MAS).

Disturbingly for the MAS, in La Paz department, its traditional stronghold, Félix Patzi of the left-wing Soberanía y Libertad (Sol.bol) is on 34% to 26% for the MAS's Felipa Huanca. Sol.bol is a new party launched by Luis Revilla, who stepped down as La Paz mayor in December 2014 in order to seek re-election, after his previous party, Movimiento Sin Miedo (MSM), lost legal status. Huanca is implicated in a corruption scandal involving the government's indigenous development fund (Fondioc) that broke last month (see sidebar).

The dollar's appreciation

The fall in international oil prices in particular appears to be a significant factor in the depreciation of the Colombian peso. Oil prices have recently hit a nine-year low, with West Texas Intermediate (WTI) trading at US\$43.88 per barrel. As an oil exporting country, the fall in international prices has negatively affected Colombia, and global demand for the peso compared to a few years ago, when oil prices were booming. This combined with the appreciation of the US dollar has led to a significant shift in the peso/dollar exchange rate since mid-2014. In June 2014 the exchange rate stood at Col\$1,864/US\$1, but it has now increased by 44% to Col\$2,688/US\$1.

TRACKING TRENDS

COLOMBIA | Regional debt levels rise as US dollar surges. As a direct consequence of the recent rapid appreciation of the US dollar, nine regions and cities in Colombia now face significantly higher debt levels, a new report from Fitch Ratings Colombia has found. The report, published on 15 March and based on data from Colombia's comptroller general's office, found that nine of the country's largest entities (the departments of Antioquia, Cundinamarca, Cesar, La Guajira and the cities of Bogotá, Medellín, Cartagena de Indias, Cali and Pasto) had taken out US-dollar-denominated loans back when the exchange rate was more favourable but as the dollar appreciated by over 40% against the peso over the last few months, these have been left with larger-than-expected debts.

According to the report this situation came about due to the fact that the entities failed to heed the advice made by Colombia's finance superintendence in December 2014, when it urged regional governments interested in getting foreign loans to do so under an 'exchange rate hedging contract' to protect themselves against any exchange rate fluctuations (the superintendence recommended that these should cover a 26% spread).

Although Fitch Colombia warned that the higher debts could mean that some of the entities may have to revise their budgets, it said that it did not anticipate any of them facing any serious financial risks in the short-term as the level of exposure to foreign debt remains relatively low. This has been backed by the finance ministry, with one official stating that "the amount of foreign debt held by local governments is very limited and so we don't see any latent risks to their financial health as a consequence of the recent devaluation".

Still, the value of the peso is a key concern for government officials. In a recent interview, José Darío Uribe, the managing director of Colombia's central bank (Banrep), said that Banrep was closely following the exchange rate. Uribe said that there are two main factors that explain the peso's recent devaluation- the more positive economic outlook in the US, which is fuelling the dollar's appreciation; and the fall in international oil prices, which is partly responsible for the peso's devaluation (*see sidebar*). He added that if these trends continue, and a weaker peso starts to produce inflationary pressures, then Banrep might have to intervene. But Uribe was clear that although there has been a slight increase in the inflation rate, Banrep is not planning to intervene as these circumstances seem to be temporary.

PERU | Concerned about effects of Brazil's economic troubles. A worsening of Brazil's current economic crisis would be very harmful for the rest of the region, Julio Velarde, the president of Peru's central bank (BCRP), said on 18 March. Speaking at a business conference in São Paulo, Velarde said that although he thought it unlikely that Brazil's crisis would deepen, this would have longer lasting effects on the region's economies than the adverse economic scenarios in other countries.

"In Venezuela, Argentina, whatever happens, its effect on the rest of the region will last one or two days. Brazil is different. If the crisis becomes more serious... it would probably affect [regional] markets for longer," Velarde said alluding to a probable loss of investor confidence contagion effect if Brazil continues to struggle with low economic growth and high inflation.

Velarde even noted that the widely anticipated increase in interest rates by the US Federal Reserve would only have a temporary effect on regional markets. "There will be some volatility, but the deep effects will only be felt initially. Eventually, investors should return to emerging markets", he said.

In any event, Velarde expressed support for the Brazilian government's efforts to tackle its economic problems. In particular, he defended the fiscal adjustment plan that the government led by President Dilma Rousseff is trying to implement. President Rousseff has urged Brazil's federal congress to approve its fiscal adjustment plan, saying that even if undesirable it is necessary. Velarde said that the lack of political support for the measures was "complicating" things.

Meanwhile, Peru's deputy economy minister, Giancarlo Gasha Tamashiro, who accompanied Velarde to São Paulo, said that despite the less favourable economic scenario in the region, the Peruvian government expected Peru's economy to be one of the fastest growing in Latin America this year by posting GDP growth of over 4%. This would mark a rebound from the 2.35% growth with which it ended 2014.

Not downgraded yet

While the economic and political news from Brazil has been almost uniformly grim of late, the government did receive a minor respite this week, with the news that the credit rating agency, Standard & Poor's, would not downgrade Brazil's investment status. It remains at BBB- with a stable outlook. The note that accompanied the agency's decision expressed confidence that the measures being taken by the government would eventually "restore credibility and open the way to a stronger growth period this year and the next". The Real even climbed a little from its 12-year low against the US dollar on the back of the news.

Another boon for the government led by President Dilma Rousseff was a report by several investment banks that power rationing is increasingly unlikely. Around 80% of Brazil's energy comes from hydroelectricity, and the severe water shortages in the south-east of the country had provoked fears of an energy crisis. However, increased rainfall in recent weeks, coupled with the increase in tariffs caused by the government's decision to withdraw subsidies and lower energy consumption, has diminished the probability of rationing in the eyes of JP Morgan, BTG Pactual and Merrill Lynch.

Elsewhere, however, the economic gloom shows little signs of lifting. According to a report in the financial paper *Valor* on 25 March, the Rousseff administration is trying to work out how to increase tax revenues in order to hit its target of a 1.2% primary budget surplus. "Everything is on the table," according to one source at the finance ministry.

To create such a surplus, the government needs to find R\$80bn (US\$25bn) from spending cuts and tax increases. The IPI, a tax on industrialised products, appears to be one of the current contenders for an increase.

In fact, the treasury had a good February with receipts up 0.49% on the same month of 2014. However, most of the extra tax revenue came from a one-off windfall of R\$4.64bn (US\$1.45bn).

The treasury would not reveal the source of this extra income, though it is believed to be related to the credit card payment system Cielo. Slow economic growth, which economists are united in believing will tip into recession this year, is also having a major impact on government revenues, and the following months are expected to be less positive.

Another concern for the federal government is how it will resolve the issue of the debts of states and municipalities. On 24 March, the federal congress voted overwhelmingly in favour of changing the benchmark interest rate used to calculate the interest regional governments pay on debts to the federal government. The finance ministry now has just 30 days to come to individual arrangements with states and municipalities or face letting them off the hook for large amounts of money.

Both the cities of Rio de Janeiro and São Paulo will be major beneficiaries if no deal is reached. Joaquim Levy, the finance minister, estimates that the vote by congress will end up costing the federal government at least R\$3bn (US\$940m). Though not a huge amount, it demonstrates once again the political challenges facing the government's austerity programme.

Swap auction

Brazil's central bank said on 24 March that it will not be renewing its foreign-exchange swap auction programme. The current currency intervention programme started in August 2013 and will expire on 31 March. The central bank has recently been offering US\$100m worth of currency swaps in daily auctions.

Calheiros and Cunha try to slow fiscal adjustment

Since their names appeared on the list of politicians the supreme court wishes to investigate over the corruption scandal at the state-run oil company Petrobras, the leaders of the federal senate and lower chamber, Renan Calheiros and Eduardo Cunha respectively, have proven determined in their desire to make life difficult for President Dilma Rousseff. The government's plans for a fiscal adjustment to rein in spending and increase taxes in order to post a primary budget surplus are coming under almost daily attack from the two politicians from the nominally government-allied Partido do Movimento Democrático Brasileiro (PMDB).

In his latest salvo Calheiros told a group of leading executives from the Confederação Nacional da Indústria (CNI) that he thought that a key plank of President Rousseff's new industrial policy was mistaken. "Tax exemptions were important for maintaining jobs," Calheiros said. "It's a mistake [to remove them] and it won't be the last. They want to balance the books on the backs of the poor and this will harm the productive sector. The end of these tax exemptions will lead to a collapse in productivity."

Calheiros also made it very clear that congress would no longer automatically approve the fiscal adjustment measures proposed by the government. On 24 March congress defied Rousseff's wishes to push through changes to states' debts to the federal government.

Calheiros also repeated his party's position that the number of cabinet ministers should be reduced drastically, from 39 to 20. Cunha, meanwhile, in interviews following the major anti-government demonstrations on 15 March, has amplified his criticism of the executive and rubbished its plans for political reform.

"No one was on the streets demanding political reform," Cunha said. "The people were asking for a reform of government." Cunha also criticised the besieged mindset of the higher-ranking echelons of the ruling left-wing Partido dos Trabalhadores (PT). "The PT does not want dialogue. It never has. It only wants monologue."

Former president Lula da Silva (2003-2011) has apparently been urging Rousseff to include the PMDB more in her inner circle, but so far she has paid little heed to her mentor. However, a minor shake-up of government is expected soon, following the departure of Cid Gomes from the education ministry.

Thomas Trautmann, the social communication minister for the presidency, is also expected to leave shortly. While Trautmann's position is being tipped to go to the PT, possibly to Edinho Silva, Rousseff's campaign manager, or congressman Alessandro Molon, the education portfolio is expected to end up with the PMDB.

Lava Jato

Earlier this week, João Vaccari Neto, the PT treasurer, was charged with corruption and money-laundering, following testimony from a former vice-president of the private conglomerate, Camargo Corrêa, that he demanded a R\$10m (US\$3.1m) donation to the PT's election campaign. Vaccari is the highest profile member of the PT yet to face charges, but so far the party has stood by him and he has not lost his job.

A further 25 financiers; executives from construction firms; and former employees of Petrobras, were also charged, including Renato de Souza Duque, the former director of services and engineering at the oil giant.

Inflation

Brazil's central bank president, Alexandre Tombini, predicted this week that the country's inflation rate in April should be much lower than any of the months in the first quarter of 2015. Twelve-month inflation stood at 7.9% in mid-March, much higher than the 6.5% ceiling of the central bank's target range. Tombini told congress that inflation had risen in the first three months because of increases in government-set prices, such as electricity and petrol prices, in addition to the weaker Real.

Leniency agreements

Brazil's comptroller general Valdir Simão said the companies that have proposed negotiating 'leniency agreements' with his office are Galvão Engenharia, OAS, Engevix and SOG Óleo e Gás.

While the prosecution of individuals steps up a gear, companies under investigation are in full damage control mode. At least four of them, including Galvão Engenharia, are believed to be seeking "leniency agreements" with federal prosecutors. Galvão Engenharia is seeking a court-supervised recovery of losses from a court in Rio de Janeiro.

Galvão Engenharia says that it has not received any payments from Petrobras and filed for bankruptcy protection on 25 March as it is having difficulty obtaining credit because of the 'Operation Car Wash' investigation. Other companies under investigation by federal prosecutors may well follow the lead of Galvão Engenharia. Serious cash-flow problems for Brazil's major constructors could put many infrastructure projects on hold.

Under the terms of 'leniency agreements', companies can avoid what they fear most: being barred from bidding on future State contracts, in return for admitting a degree of guilt and paying a fine. But the deals are likely to prove highly contentious and many in the public ministry are opposed to negotiating anything at the moment, fearing that they may jeopardise the on-going investigations.

ARGENTINA | POLITICS

UK accused of "cheap nationalism" over Falklands

The Argentine government reacted with predictable irritation over the latest comments by the UK defence minister, Michael Fallon, over Britain's decision to strengthen its military garrison on the Falkland/Malvinas Islands. Aníbal Fernández, the cabinet chief, blamed the proximity of the UK's general election and "cheap nationalism" for Fallon's decision to take steps to "ensure our resilience for the short, medium and longer term".

While troop numbers will be kept at around 1,200 (for a population of under 3,000), two Chinook helicopters will be recalled to the islands by the middle of next year to provide tactical support to current forces. The helicopters had been based on the islands until 2006, when they were moved for use in Afghanistan. An enhanced communications system will also be mounted at the military base at Mount Pleasant and Mare Harbour.

Over the next 10 years, the UK will spend £180m (US\$270m) to improve and modernise infrastructure on the Falklands. Fallon refused to be drawn on speculation regarding an arms deal between Russia and Argentina.

Héctor Timerman, the Argentine foreign minister, was also scathing of the announcement. He accused the UK government of "bringing up the ghost of a supposed Argentine threat in order to increase the military budget".

Timerman went on to call for the UK to abide by over 40 United Nations (UN) resolutions calling for negotiations over the islands. In an interview with Radio Del Plata, Timerman said that he would present a complaint to the UN's Decolonisation Committee about the UK's "war-mongering attitude".

Oil

New drilling for oil began off the islands earlier this month, for the first time since 2010. Five years ago, prospectors made the first commercial oil find, the Sea Lion oilfield in the North Falkland Basin. Project Sanction on Sea Lion is scheduled for the first half of 2016 but the first oil will not flow until at least 2019.

Despite the on-going political controversy, and the low oil price, a consortium of oil companies, including Premier Oil, Noble Energy and Rockhopper began drilling the Zebedee prospect on 6 March, an area close to the proven Sea Lion reserve.

Euroclear

On 25 March Judge Griesa barred the Belgium-based clearing house, Euroclear, from passing on funds to bondholders pending any further ruling from his court. If, at a later date, some payments are allowed by Griesa, Euroclear will have to provide the litigating hedge funds with details on exactly who will receive the coupon payments and when they will receive it.

ARGENTINA | Transport unions plan strike. Roberto Fernández, the head of Argentina's Unión Tranviarios Automotor, announced that trade unions affiliated to transport workers would strike on 31 March unless the government altered its income tax thresholds. Nevertheless, Fernández left open the possibility of a change of tact. "It is never too late to reach an agreement," he said. "We are not trying to defy the government as the workers voted for the government and it will finish its term."

ARGENTINA | Kicillof attacks Citigroup. Speaking on 25 March, the Argentine economy minister, Axel Kicillof, described as "illegal" a deal between Citigroup and US District Judge Thomas Griesa, which effectively allows the US banking group some breathing space by allowing it to process interest payments on two Argentine debt repayments.

Over the weekend, Citigroup said that Griesa would not restrict it from meeting its payment-processing obligations relating to US dollar-denominated Argentine bond payments, due under local law on 31 March and 30 June.

Argentina has long accused Griesa of operating hand-in-glove with the vulture funds. Effectively, Griesa has said Argentina cannot make payments to the 92% of its bond creditors with which it was not in dispute, unless it made equal and simultaneous payments to the holdouts.

Griesa had jurisdiction because the bonds were issued under US law and payments were made through the US banking system. Because Argentina has refused to make payments to the holdouts it has been in partial default since June last year.

Citigroup argued that a separate set of payments, on bonds issued under Argentine law, and made from Buenos Aires through Citi Argentina, should not be affected by Griesa's ruling. The judge appears to have made some changes and exceptions to his decisions in an attempt to nudge the two parties towards some kind of deal.

Griesa has also said that the court would not stop the banking group from exiting the Argentine custody business, as it has indicated it wishes to do. It is not yet clear what the impact of the decision will have on its retail banking business in Argentina. "From my point of view, the deal they have signed with the vultures clearly violates Argentine law," Kicillof said. "Reading the fine print of the deal," he added, "what we find is a trap possibly aimed at scamming the bondholders."

BRAZIL | New role for Bndes. Brazil's state development bank (Bndes) is to function as more of an "originator" of projects, rather than an exclusive financial backer, according to the finance ministry. In effect this will mean that Bndes will put up small tranches of financing for projects, effectively given them a seal of approval that it is hoped will attract other, private investment.

The move marks the end of Bndes' cycle of expansion. In 2008, Bndes financed R\$92.2bn (US\$29bn) worth of projects; by 2013 that number had doubled to R\$190.4bn (US\$60bn); last year marked a slight decline to R\$187.8bn (US\$58bn).

Despite the real term increase over those years, the percentage of investment in the country fell from a peak of 20.2% of GDP in 2010 to around 17% in the last year. At present, there are rumours in Brasilia that, after the state-run oil company Petrobras, Bndes, which has never been properly audited and has a larger portfolio than the World Bank, could provide the next big political and economic scandal in Brazil.

BRAZIL | African investments down. Since 2012, Brazilian interest in African investment opportunities has declined considerably. The budget for cooperation between Brazil and African countries has fallen by 25% over that period.

Fundação Getulio Vargas had 60 projects in Africa three years ago and now has just two. Vale, the giant mining company, has closed its activities in three African countries. The state-run oil company, Petrobras, has returned five exploration blocks in the last two years.

Brazilian exports to Africa have fallen by 20% in the past two years. Even humanitarian cooperation has been affected. In 2012, donations amounted to US\$65.2m. In 2013, they fell 89% to US\$6.9m.

Grim electoral prospects for PRD

There are growing signs that elections in the majority of Mexican states just over two months from now will redefine the country's political Left. The gubernatorial, state, municipal and federal lower chamber elections on 7 June are a serious test for the Partido de la Revolución Democrática (PRD) and even likely to dictate whether Mexico's main left-wing party survives in its present form.

The PRD, unsurprisingly, lost politicians as soon as the party's twice former presidential candidate Andrés Manuel López Obrador left and, in 2014, registered his own party, Movimiento Regeneración Nacional (Morena). But it has also haemorrhaged support in the wake of the complicity of the PRD's mayor of Iguala, José Luis Abarca, in the 'disappearance' of 43 trainee teachers last September. Several prominent PRD politicians, starting with the party's founder, Cuauhtémoc Cárdenas, savaged the party leadership's handling of the incident and its political strategy of cooperation with the federal government of President Enrique Peña Nieto, of the Partido Revolucionario Institucional (PRI).

PRD Senator Alejandro Encinas followed Cárdenas's lead in January, and then Marcelo Ebrard, the former PRD mayor of Mexico City (2006-2012) once seen as a future presidential candidate for the party, quit for the Movimiento Ciudadano (MC) on 27 February. Ebrard repeated the criticism levelled at the party leadership by the rest of the defectors; that the PRD has become a party close to the federal government and far from the people. Campaigning with the MC gubernatorial candidate for San Luis Potosí, Eugenio Govea Arcos, on 21 March, Ebrard said that the PRD would reap the consequences of this mistaken policy at the polls.

The president of the PRD, Carlos Navarrete, swiftly responded that it was sad that Ebrard had chosen to abandon the party just because he failed to win a nomination for a seat in the federal lower chamber of congress (he will top the MC list in this regard). Navarrete sought to downplay the significance of Ebrard's departure, announcing the creation of "a yellow army" to do door-to-door canvassing all over the country, and insisting that ideas and not personalities would prove decisive.

Ebrard, meanwhile, maintained that it was the controlling faction in the PRD, Nueva Izquierda (NI), dubbed 'Los Chuchos', to which Navarrete belongs, that is self-serving. He said that NI put its own members at the top of lists of nominations and lacked ideas that resonated with the Mexican public, instead pursuing a political direction that is "incompatible with the objectives and political duties of the Mexican Left".

Since February the PRD has also lost three of its 101 deputies in the 500-seat federal lower chamber. Just last week Deputy Martha Lucía Micher Camarena left the party she had belonged to for 20 years to become an independent, explaining in a letter to Navarrete that the PRD had lost credibility over Iguala and criticising the fact that big issues and decisions were simply not debated within the party but dictated by Los Chuchos.

And then, this week the PRD confirmed that it would not present joint candidates this June with the Partido del Trabajo (PT) in 40 electoral districts in the Estado de México. The PT has been a stalwart ally of the PRD but the smaller party struck a deal with the right-wing Partido Acción Nacional (PAN) in the Estado.

Blow to Los Zetas

Mexican marines captured the aspiring new leader of the Los Zetas drug trafficking organisation (DTO), Ramiro 'El Rama' Pérez Morena, in Nuevo Laredo, Tamaulipas on 23 March. Pérez Morena did not get the opportunity to exert leadership over Los Zetas because just a few weeks earlier, on 4 March, the previous leader of the DTO, Omar 'Z-42' Treviño Morales was also captured by federal security forces [WR-15-09].

Sener must provide pipeline information

On 22 March

Mexico's federal

information access

and data protection

institute (Ifai) said that

the energy ministry

(Sener) must provide

information about the

oil and gas pipeline

infrastructure of

Pemex, as per a

freedom of

information request.

The request,

submitted to Ifai by

an (unidentified)

individual, asked

Sener to provide

information about

every pipeline and

duct used by Pemex,

including their name,

location, diameter,

length and capacity.

Sener claimed that it

was unable to do this

as it did not have the

information, and

suggested that the

request be directed

to Pemex. But Ifai

rejected this saying

that as the entity in

charge of overseeing

the national

hydrocarbon sector,

Sener must have

access to this

information.

The PRD leadership did manage to reach a coalition accord with the PT and the Partido Nueva Alianza (Panal) for 100 elected positions in the Distrito Federal (DF) in the 16 *delegaciones* (boroughs) and candidates for local deputies. But the PRD's decision to go into an alliance with Panal, a party controlled by the imprisoned teachers' union leader Elba Esther Gordillo it has long reviled, smacks of opportunism and could encourage more defections, while alienating more left-wing voters.

The decision to embrace Panal also shows the risk the PRD leadership is prepared to take in a desperate effort not to concede any ground in the DF to Morena. The elections will show just how much ground the PRD has lost on the Left to Morena – and the better Morena does, particularly in the DF, the PRD's bastion, the more likely other PRD politicians might decide to defect.

Morena enjoys 11% support in the race for federal lower chamber seats, according to an opinion poll published by Parametría this week. This is up seven percentage points on last November, and positions Morena as the fourth largest party in Mexico, surpassing the Partido Verde Ecologista de México (PVEM), on 10%, for the first time. It also puts Morena just one point behind the PRD, on 12%, below its previous nadir of 13% last February. Morena also has support in some areas, such as the DF, of more than 20%.

Meanwhile, the PRI fell two points on the previous survey last month to 30%, while the PAN climbed one point to 27%, suggesting that smaller parties could benefit at the expense of all of the country's larger parties amid widespread voter disenchantment.

TRACKING TRENDS

MEXICO | Pemex revises oil production forecasts down. Mexico's national hydrocarbon commission (CNH) announced on 24 March that the state-run oil firm, Pemex, had slashed its crude oil production forecast for the year from 2.43m barrels per day (bpd) to 2.29bpd. The announcement means that Pemex's oil production will continue on the downward trend that it has been on for the past 10 years and will not reach the production target of 2.4m bpd set out in this year's national budget.

The persistent fall in oil production at Pemex was one of the main reasons that the government led by President Enrique Peña Nieto launched its flagship energy sector reform, which was fully approved last year and which ended Pemex's monopoly over hydrocarbon production in the country, opening up the sector to greater private sector participation.

However, the implementation of the reform has been affected by the fall in international oil prices, which appears to have deterred foreign investment in Mexico's oil sector and has negatively affected the Mexican government's finances. As a result of this, in January, the Mexican government decided to cut Pemex's 2015 budget by M\$62bn (US\$4.15bn). Back then Pemex warned that this could affect its production levels as the firm's investment plan for the year would have to be revised.

In fact, Pemex's preliminary first quarter production report released on 15 March showed that average crude production had fallen to 2.29m bpd, a 7.8% decrease compared to the same period of 2014. Last year Pemex produced 2.43m bpd, 3.7% lower than in 2013 and below the firm's target of 2.52m bpd.

Pemex's latest revision does not bode well for the government and it is likely that this target will also be missed in the current scenario. However, Pemex has expressed hopes that it will be able to establish alliances with private firms in the near future, which would help it to increase its oil production levels. But this will largely depend on whether international oil prices recover.

According to Pemex's latest data, its crude was selling at US\$44.46 per barrel (/b) in international markets in March, bringing the average price so far this year to US\$43.97/b. This is still well below the projected price of US\$79/b included in Mexico's 2015 national budget.

EU chases up Havana

The European Union (EU)'s high representative for foreign policy, Federica Mogherini, was in Havana for two days this week, where she said that the EU and Cuba had decided to "speed up the rhythm" of negotiations with a view to finalising by year-end framework talks on a new political dialogue and cooperation agreement, which would restore full diplomatic ties between Brussels and Havana.

Mogherini was the highest-ranking EU official to visit Cuba in several years, indicative of apparent new urgency on the part of Brussels to restore relations with Havana in the wake of the historic recent US-Cuba announcement to renew diplomatic ties. Mogherini's visit was outside of the formal talks on the new agreement, which have been slow, with only three rounds to date, and she frankly acknowledged that her mission was to give the talks new impetus.

Likewise, Cuba's foreign minister, Bruno Rodríguez, will go to Brussels on 22 April, again outside of the formal talks, but in support of them. Spain, one of the main investors in Cuba, is said to be particularly keen on getting the talks to the finishing line, as Spanish companies look over their shoulders at future competition for the lucrative 11m-strong Cuban market from potential US rivals. The EU is Cuba's second largest trading partner after Venezuela, with bilateral trade valued at US\$3.6bn in 2013, and, along with Canada, the main investor in the country.

Whilst in Havana, Mogherini had dinner with EU ambassadors; a "very interesting" two-hour meeting with President Raúl Castro; and talks with senior Cuban ministers, including the economy czar, Marino Murillo, and the foreign trade minister, Rodrigo Malmierca, as well as the national assembly president, Esteban Lazo. She signed an agreement for €50m (US\$55m) for the modernisation of the Cuban agriculture sector.

Notably, she also met Cardinal Jaime Ortega, as well as notables from Cuba's cultural sector. There was also one meeting scheduled with civil society organisations prior to her departure, which presumably included some of the local dissident community.

In a press conference Mogherini was very upbeat (see sidebar), but made no mention of when the fourth round of official talks would be held. Aside from Rodríguez's visit to Brussels next month, Cuba will also send a delegation to a summit between the EU and the Community of Latin American and Caribbean States (Celac) in Brussels on 10 and 11 June.

Paris Club talks

Recent press reports have also suggested progress in negotiations between the Cuban government and the Paris Club of 20 creditor governments (comprising Russia plus 19 developed countries). The Cuban government stopped servicing its Paris Club debt in 1987, having renegotiated its debt payments for 1982-86 the previous year. The last negotiations, back in 2000, broke off without a result. The Paris Club reported that Cuba owed its members US\$35bn at the close of 2012, rising to US\$37bn in late 2013.

In late 2013, there were signs of tentative efforts again, with a Paris Club delegation reportedly travelling to Havana for exploratory talks. At the same time, Russia suddenly announced that it had reached a deal with Cuba to forgive some US\$29bn of Cuba's Soviet Era debts, of which about US\$20bn was Paris Club debt. (Under the deal, Russia agreed to forgive US\$20bn plus

Diplomatic ties

The EU's high representative for foreign policy, Federica Mogherini, stressed that "relations between the EU and Cuba are strong, historical – it is 25 years of diplomatic relations...

Most of the EU member States have bilateral agreements or arrangements. So we definitely have a lot on which we can build and we believe that finalising this agreement will be key to develop our political dialogue and our cooperation on a more solid basis".

Terrorism list

Cuba is still pushing for removal from the US State Department's list of countries that sponsor terrorism. While this is not a Cuban pre-condition for the re-establishment of ambassadorial relations, the Cubans have made it quite clear that it is a key issue. The State Department says the matter is currently "under review".

interest, while Cuba reportedly would pay US\$3.2bn over 10 years in settlement of the remaining 10%). Observers suggested that the unilateral move by Russia may have rankled with other Paris Club members. In any case, a year ago, in April 2014, the news agency *Reuters* reported that talks between Havana and the Paris Club were beginning again.

Bruno Bézard, the director general of the French government's treasury, and ex officio chairman of the Paris Club, has suggested that Cuba's remaining debt owing to the Paris Club now amounts to around US\$15-US\$16bn, of which one third is owed to France alone. Debt forgiveness may be on the agenda when France's President François Hollande visits Cuba in May. Since 2011, Cuba has restructured its debt with China, Japan (commercial creditors), Mexico and Russia, reworking its debt payment schedules. Should the Paris Club negotiations result in further restructuring (and potentially a write down of some debt), this would improve Cuba's external balance and help its reintegration into international capital markets.

US treasury "housekeeping" de-lists dead Cuban 'threats'

On 23 March the US Treasury Department's Office of Foreign Assets Control (OFAC) updated its 'Specially Designated Nationals' (SDN) list, de-listing 59 Cuban fishing, shipping and tourism companies, mostly based in Panama, as well some individuals long since dead.

While there was immediate speculation that the move was linked to the US-Cuba rapprochement, the Treasury Department dryly said it was a matter of "routine housekeeping". Those removed from the list included Major Amado Padrón Trujillo, who was designated way back in late September 1986. Padrón Trujillo was executed three years later, on 13 July 1989, along with General Arnaldo Ochoa Sánchez and two others, for treason against Cuba. The OFAC thus has decided, rather belatedly, that "the circumstances no longer warrant his inclusion on the SDN List."

GUATEMALA | POLITICS

Press freedom concerns ahead of elections

A spate of attacks on journalists in Guatemala's south-western department of Suchitepéquez, which has left three dead and one seriously injured in less than a week, has raised domestic and international concern and fears about political violence ahead of September's general elections.

On 13 March Guido Armando Giovanni Villatoro, a cameraman and host of a local cable television show, was shot dead when leaving his office. Three days earlier, two journalists, Danilo López from the national daily *Prensa Libre* and Federico Salazar from the broadcaster *Radio Nuevo Mundo*, were shot dead by a gunman on a motorcyclist. A third correspondent, Marvin Israel Túnchez, from TV station *Canal Óptimo 23*, was wounded in the earlier attack. While the local press links Villatoro's murder to extortion targeting the company, *Servicable*, where he worked, López had recently filed a complaint against José Linares Rojas, the mayor of the nearby municipality of San Lorenzo for making death threats against him. This after López reported alleged financial mismanagement in Linares's administration.

The attacks add to existing concerns regarding press freedom in Guatemala that have been directly linked to the elections. On 17 February the Knight Center for Journalism at the University of Texas at Austin warned that "an environment of fear affects electoral coverage in Guatemala". The statement gives as one recent example, an attack on Susana Morazán, a TV host for the Azteca Guatemala network, which took place on 19 January. Morazán was left with a fractured jaw after two men riding motorcycles intercepted her as she was driving her car and ordered her to "stop talking bad about the

Outcry

As well as statements from local press organisations like the chamber of journalism, the US embassy in Guatemala, the Organization of American States (OAS), United Nations Office of the High Commissioner for Human Rights in Guatemala (OACNUDH) and the UN Organization for Education, Science and Culture (Unesco) all issued statements expressing concern about the state of press freedom following the recent murders of journalists.

government". The same statement notes that Juan Luis Font, the director of the weekly *Contrapoder*, and Pedro Trujillo, a *Prensa Libre* columnist, were threatened after criticising Manuel Baldizón, the presidential candidate for the main opposition Libertad Democrática Renovada party.

With 21 attacks against journalists registered in Guatemala since the start of 2015, the human rights ombudsman (PDH) flagged up press freedom concerns in a February 2015 report. The report mentioned the 2014 World Press Freedom Index released by NGO Reporters Without Borders, which singled out Guatemala (along with the US) in the Americas, noting the country's "dizzying plunge", down 29 places to 125th (out of 180 countries) due to a sharp decline in the safety of journalists, with four murders and twice as many attacks on journalists as in the previous year.

Media monopolies

The state of press freedom in Guatemala and Nicaragua also came in for attack in a recent report by the US-based press advocacy organisation Inter-American Press Association (IAPA) on "pro government" media oligarchies in Latin America. Entitled *Diversity, pluralism and media concentration in the Americas*, the IAPA report, which was released on 18 March, highlights in Guatemala the influence of Mexican businessman Ángel González, who controls four of the six national TV channels (3, 7, 11 and 13) while 5 and 9 belong to State institutions. According to the same report, González controls 66 of the 300 radio broadcasters which are affiliated to the national chamber of radio broadcasters.

The IAPA report also highlights that in Nicaragua, González owns the media company Ratensa (Radio y Televisión Nicaragüense S.A.) which controls TV channels 7, 9, 10 and 11 along with various radio stations. Meanwhile the presidential family, Daniel Ortega-Rosario Murillo controls TV channels 2, 4, 6, 8, 13, 47 and cable subscription channel 91. Only channel 12 is independent.

TRACKING TRENDS

EL SALVADOR | Protests outside World Bank ahead of ruling. Activists submitted what they said were 174,000 signatures to the World Bank's International Centre for Settlement of Investment Disputes (Icsid), calling on it to throw out a US\$301m lawsuit filed against El Salvador by OceanaGold, an Australian mining company. The company is seeking damages for a decision by El Salvador not to approve a permit for a gold mine. The permit was denied on the grounds that it would contaminate ground water sources potentially affecting 60% of the population's drinking water, among other legal requirements.

Pacific Rim made the lucrative discovery on the Lempa River in 2002 and was encouraged by the government of the time, led by former president Francisco Flores of the right-wing Alianza Republicana Nacionalista (Arena), to apply for a permit. There was immediate public concern. Flores's successor Tony Saca (Arena) imposed a five-year mining moratorium in 2008. A left-wing government under Mauricio Funes of the Frente Farabundo Martí para la Liberación Nacional (FMLN) was elected in March 2009. Ahead of that election, in which the debate about the mining sector featured prominently, several anti-mining protestors were killed, apparently assassinated, raising fears that old civil war wounds were being re-opened in the country. The FMLN government has since renewed the mining moratorium.

Pacific Rim, via its US subsidiary, filed its lawsuit in April 2009 under a provision of the US-Dominican Republic-Central America Free Trade Agreement (DR-Cafta) that allows companies to sue governments for impinging on their profits (or in this case the loss of potential profits). In 2012, the Icsid ruled that the lawsuit could proceed, pointing to a provision in El Salvador's investment law (that law has since been amended). OceanaGold acquired Pacific Rim in October 2013, after which it upped the lawsuit from US\$70m to US\$301m. A ruling was due in September 2014, but is still pending. The claim for US\$301m amounts to roughly half of the country's national budget.

Quotes of the week

“All conflicts are potentially dangerous, there is no small conflict. They are all important and it depends how they pan out.”

Peru's interior minister

José Luis Pérez

Guadalupe.

“‘The Book of the Sea’ will be an obligatory part of education in our country.”

Bolivia's President Evo Morales on a book, compiled by one of his predecessors, Carlos Mesa, which Morales said tells “the truth” of the historical injustice that resulted in Bolivia losing its sovereign access to the Pacific to Chile.

“‘Workers’ and ‘campesinos’ marching against safeguards to protect national production... There's something for a doctoral thesis.”

Ecuador's President

Rafael Correa.

Disturbing security development in Dominican Republic

The police or the military are embroiled in as many as 90% of criminal cases in the Dominican Republic, according to the public prosecutor for the Distrito Nacional, Yeni Berenice Reynoso. Her remarks followed the arrest last week of four members of the military involved in the smuggling of large quantities of cocaine from Venezuela.

“It is alarming and very worrying that the people with whom you carry out investigations on a daily basis are implicated in crimes that have to be investigated,” Reynoso said, while addressing the second Ibero-American meeting on constitutional justice with a focus on violence against women, convened by the constitutional tribunal (TC) in a hotel in Santo Domingo. Reynoso said that “in the majority of cases involving hitmen and narco-trafficking in the Dominican Republic, there are police and military involved”. She said the intervention of different State institutions, and not just the attorney general's office, was absolutely essential to try and address this deeply disturbing development.

Reynoso made specific reference to the arrest of four members of the military, three from the specialised centre for airport and civil aviation security (Cesac), after the seizure of 450 packets of cocaine in nine suitcases aboard a private plane from Caracas during an operation at Santo Domingo international airport on 17 March. The Dominican national drug control agency (DNCD) and the national investigation department (DNI) carried out the operation after receiving a tip-off from the US Drug Enforcement Administration (DEA). A Dominican civilian and five Venezuelans, including the two pilots, were arrested during the operation.

In the early hours on the same day, authorities in Puerto Rico seized 1,150 kilograms of cocaine, worth an estimated US\$32m, aboard a boat off the north-eastern coast of Loíza. The police arrested 14 Dominicans, most of whom were on land awaiting the vessel with guns and petrol for refuelling. The Puerto Rico Joint Forces of Rapid Action (Fura) then arrested the three crew members, police superintendent, José Caldero, said. Caldero said he thought the boat had come from Venezuela and stopped off in Trinidad & Tobago and Sint Maarten.



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