

# latin american weekly report

01 April 2015, WR-15-13

ISSN 0143-5280

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This edition of *Latin American Weekly Report* has been produced for Canning House Corporate Members by LatinNews ([www.latinnews.com](http://www.latinnews.com)).

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## Morales suffers electoral setback in Bolivia

President Evo Morales suffered one of his biggest electoral setbacks in the 29 March departmental and municipal elections since taking office in 2006. Exit polls indicate his ruling Movimiento al Socialismo (MAS) won in just four of Bolivia's nine departments, with two going to a second round on 3 May and three to different opposition outfits. This is not only down from the six won in the last (2010) local elections but a far cry from the eight in which the MAS won a majority vote in the most recent (October 2014) general elections (losing only in Beni). While the MAS remains the only national political organisation, the defeat for the ruling party in its symbolic bastions of La Paz and El Alto, along with other strategic seats, is a wake-up call for Morales.

With the supreme electoral tribunal (TSE) due to announce the results within 15 days, local media and the MAS have been basing their analysis of the election on exit poll data from Ipsos. This shows the MAS winning the governorships of Cochabamba, Oruro, Pando and Potosí, with Beni and Chuquisaca headed for run-offs after the winner failed to win 50+1% of the vote or 40% with a 10-point victory margin – as per new electoral rules.

While the MAS's defeats in Tarija and Santa Cruz were less of a surprise, its poor performance in La Paz (while in line with poll predictions) was a big upset. According to the Ipsos poll, MAS dissident and former education minister (2006-2007) Félix Patzi of the newly launched left-wing Soberanía y Libertad (Sol.bo) defeated the MAS's Felipa Huanca, by a convincing 52.1% to 29.2%. Patzi's victory was replicated in the La Paz mayoral contest where incumbent Luis Revilla, who launched Sol.bo after his Movimiento Sin Miedo (MSM) lost legal status following October's elections, was re-elected by 59.8% to 38.8% against the MAS candidate, Guillermo Mendoza. Adding to the MAS's woes, in the rapidly growing city of El Alto, above La Paz, Soledad Chapetón of cement magnate Samuel Doria Medina's centre-right Unidad Nacional (UN) took 55.2% to 31.8% for the incumbent Édgar Patana (MAS). The site of various revolts over issues like the nationalisation of Bolivia's gas - which ended up becoming major platforms of the MAS - El Alto was a symbolic bastion for the ruling party.

Such was the impact of these defeats in traditional MAS territory that President Morales failed to deliver his usual presidential address following the election, substituted instead by Vice-President Alvaro García Linera. Yet the following day, Morales did provide a response. Initially complaining that Huanca's defeat stemmed from "discrimination and machismo" (as an indigenous woman) – although it is worth pointing out that Patzi is, like Huanca and Morales, an Aymara – Morales interpreted the MAS's defeat in its traditional strongholds as a "punishment vote" for corruption, with both

## Chapetón

The victory in El Alto of Soledad Chapetón, a teacher of Aymara origin, was hailed by Samuel Doria Medina, the leader of the centre-right Unidad Nacional, as the start of a new political era.

Huanca and Patana fending off various allegations. Huanca has been implicated in the corruption scandal involving the government's indigenous development fund (Fondioc), which broke last month [WR-15-12]. Meanwhile, at the end of February, the local media broadcast a video in which Patana appeared to receive a suspicious looking package from his predecessor, former mayor Fanor Nava (2005-2010), which sparked speculation. Since the election, Morales has called for an investigation.

More generally García Linera attributes the apparent contradiction between Morales's impressive 61% victory in October's presidential elections and the MAS's poor showing in these elections to weakness in the party leadership at a local level, insisting that the October victory indicates that there is still strong support for the party programme.

While undoubtedly a disappointment for the MAS, its other defeats at a gubernatorial level were less of a surprise. In Santa Cruz, the incumbent Rubén Costas of the Movimiento Demócrata Social (MDS) – one of Morales's long time rivals - was re-elected with 59.3% while the MAS's Rolando Borda, a leader of the local union, Central Obrera Boliviana, in Santa Cruz, took 31.3%. In gas-rich Tarija, also in the former opposition eastern 'Media Luna' region, Adrián Oliva, of the Unidad Departamental Autonomista (UD-A) took 46.4% of the vote to Pablo Canedo (MAS) who polls put on 35.6%.

Meanwhile in Chuquisaca, the Ipsos poll shows Esteban Urquizo (MAS) on 47.5% while Damián Condori, of the local outfit Chuquisaca Somos Todos (CST), is on 46.9%, forcing a second round. Also touted as a victory for the MAS is the result in Beni which has similarly gone to a second round after Alex Ferrier (MAS) obtained 39.0% of the vote to 33.1% for Carlos Dellien of the Nacionalidades Autónomas por el Cambio y el Empoderamiento Revolucionario (Nacer). The contest was highly controversial after the TSE cancelled the legal status of the UD, the party of frontrunner Ernesto Suárez, in the department, nine days before the vote [WR-15-12]. This meant that Suárez along with 227 other UD candidates were barred from taking part, a situation which was flagged up by the observer mission of the Organization of American States (OAS) (*see box*).

### Another source of disappointment

As well as its poor showing in the gubernatorial elections, the MAS also performed disappointingly when it came to departmental capitals. With the overall assignation of 339 municipalities yet to be announced (up from 337 in the 2010 election), Morales told reporters that the MAS had taken 289, up from 288 in 2010. Yet the Ipsos exit polls suggest that the MAS won in just two of the nine departmental capitals (Potosí, the capital of the eponymous department, and Chuquisaca's capital, Sucre). This is in line with its performance in 2010 when the MAS took Cobija, the capital of Pando, and Cochabamba, the capital of the eponymous department. Yet in the October 2014 general elections, the MAS had been quick to trumpet success in seven departmental capitals.

#### OAS observer report

In its initial report released on 30 March the OAS observer mission, which was headed up by former Guatemalan president Alvaro Colom (2008-2012), congratulated the Bolivian public on a high turnout, albeit without providing figures (voting is obligatory in Bolivia).

However the OAS observer mission report noted that some difficulties in the "electoral organisation persist", citing complaints about the TSE's behaviour in the run-up to the vote and recommending that the court divvy up its administrative and jurisdictional faculties.

The OAS mission report also lamented the TSE's decision to cancel the UD's legal status in Beni, a situation which it warned led to confusion and called for a political and legislative debate in order to safeguard civic prerogatives established in international treaties and the constitution.

## Tracking Petrocaribe

There is ongoing speculation as to the future of Petrocaribe. Venezuela's foreign minister Delcy Rodríguez paid a visit to St Kitts & Nevis on 31 March in support of bilateral relations. Among other things, she and the new prime minister, Timothy Harris, discussed energy cooperation accords under the auspices of Petrocaribe, and Rodríguez inspected the sites of new diesel storage tanks built under agreements with the Venezuelan fuel distributor PDV Caribe, a subsidiary of the state oil company, Pdvsa. Back in November 2006, the Basseterre government signed a fuel supply agreement under Petrocaribe for the delivery of 21,000 barrels per month of fuel and by-products including jet A1, diesel, fuel oil and asphalt.

Prime Minister Harris, who also hosted Rodríguez in late February, just a week after taking office, announced that his government would use EC\$16m (US\$5.93m) in Petrocaribe funds to cover a shortfall in a compensation package for former sugar workers. Signing the agreement, the Venezuelan ambassador, Bernardo Álvarez Herrera, took the opportunity to "underline the importance and the nature of Petrocaribe", which he said was important not only as a tool for economic and social development, but also as a way of maintaining security in the region. "This is why, under the umbrella of Petrocaribe, we have these social programmes," he emphasised.

Álvarez, it is worth noting, was Venezuela's last ambassador to the US, serving between 2003 and 2010, with an interruption in 2008-2009 during a diplomatic spat, and a final departure in 2010 when relations again collapsed (see sidebar). His comments might well have been aimed at Washington, where Vice-President Joe Biden has been accused by President Nicolás Maduro of trying to court Caribbean countries with promises of US cooperation upon the mooted end of Petrocaribe. The US government seems to fear an economic and security deterioration in the Caribbean should the Petrocaribe subsidy suddenly end, potentially posing a risk to US national security. The head of US Southern Command, General John F Kelly, told the US senate on 12 March that "cuts in PetroCaribe deliveries to its member nations could trigger regional economic downturns, which could elevate the risk of increased migration, especially in the Caribbean".

According to a new Barclays report, Venezuela has in fact cut its subsidised regional oil deliveries by roughly half since 2012. It is difficult to track Venezuela's oil shipments accurately. But based on data from Petrologistics, a consultancy specialised in tanker movements, Barclays concludes that deliveries under Petrocaribe, the Caracas Energy Accords and various other programmes peaked at around 400,000 barrels per day (bpd) in 2012, and have since been cut back by around 50%.

Venezuela's preferential customers pay only 50% in hard currency, with the remaining 50% financed over 20 years at very low interest rates. Even a close ally like Cuba, which was receiving 100,000 bpd at a zero cash cost - in exchange for medical, education and intelligence services - has had its deliveries reduced by around half. The beneficiaries, particularly Cuba, will be protected in the short term by low international oil prices, but when these come back up, possibly in 2016, they too will have to make adjustments. Barclays concludes that by exporting more of its oil for cash, and keeping its tight control of foreign currency (thereby forcing a steep internal adjustment), Venezuela will muddle through this year. "We believe the cut in oil deliveries under the oil agreements, stabilisation of cashable exports, and lower foreign currency allocations to the private sector will reduce the likelihood of a default in 2015," it says.

### Álvarez – from Washington to Basseterre

Prior to being appointed ambassador to the US, Bernardo Álvarez also served under the late Hugo Chávez (1999-2013) as deputy minister of hydrocarbons (2000-03) and director-general of hydrocarbons (1999-2000) at the energy ministry. He was ambassador to Spain between 2010 and 2013. He is also currently secretary general of the Venezuela-led Alianza Bolivariana para los Pueblos de Nuestra América (Alba), which stands against US 'imperialism' in the region.

## Correa critics emerge from hiding

### Bonil

Bonil was accused of publishing a defamatory cartoon and caption in February last year depicting a dawn raid on the house of Fernando Villavicencio, in which computers and documents were seized. The caption suggested that the police were seizing evidence of government corruption; President Correa accused Villavicencio of hacking into his emails and those of other top government officials. Supercom said the cartoon and caption were defamatory, damaging the image of the attorney general's office and the judicial police, and promoting social unrest.

A deputy for the indigenous political party Pachakutik, Cléver Jiménez, and an investigative journalist, Fernando Villavicencio, came out of hiding on 24 March after a judge on the national court of justice (CNJ) announced the expiry of the statute of limitations for their one-year sentence for defaming President Rafael Correa. There is no suggestion, however, that Correa's zeal for pursuing charges against critics is flagging. A week earlier, on 17 March, Ecuador's pre-eminent cartoonist Xavier 'Bonil' Bonilla, lamented that "even humour is a reason for persecution," during a hearing on the 'Situation of Freedom of Expression in Ecuador' in the Inter-American Commission of Human Rights (IACHR).

Jiménez and Villavicencio had been in hiding for a year after being found guilty of abusing the judicial system and for slandering President Correa after requesting that the attorney general's office investigate his responsibility for the deaths of five people during the September 2010 police mutiny, which he claims was a coup attempt. Both men said they would take legal action before the IACHR against those responsible for their "brutal persecution".

Freedom of expression has been a recurrent issue throughout Correa's tenure. In February last year Bonil, dubbed "an ink hitman" by Correa, became the very first victim of the country's new communications law and the first cartoonist in the region to be sanctioned, triggering criticism from the Inter American Press Association (Iapa) about press censorship in Ecuador for a cartoon about Villavicencio (*see sidebar*).

The superintendence of information and communication (Supercom), a body created under the communications law in 2013, levied administrative sanctions against Bonil and the opposition daily *El Universo* for which he works on 13 February this year for socio-economic discrimination following the publication of a cartoon on 5 August 2014 which satirised an Afro-Ecuadorian deputy of the ruling Alianza País (AP) and a former football player, Agustín 'Tín' Delgado, delivering a stuttering address to the national assembly but boasting about his salary. Bonil, who said it was deeply ironic that he had been "sanctioned for discrimination" having spent "my entire professional life on the side of defending rights, collective and individual", was given a written warning "to correct and improve his practices" (which Bonil said was "like a sword of Damocles" designed to keep him in check) while *El Universo* was compelled to publish an apology in its print edition and online in large type.

Speaking during the IACHR hearing, Bonil said that the level of intransigence in Ecuador had reached the point where it "would be laughable, were it not for the risks it contains." He said the government employed "semiologists that decipher the intentions of humourists [while] President Correa...believes that a meme page on Facebook wants to destabilise a government." The IACHR also heard complaints about Correa's campaign to uncover the identities of regular social media users who have criticised his administration, naming and shaming some of them on his weekend broadcasts in February and calling on his supporters to send thousands of tweets to each of them.

The English comedian John Oliver, famous for satirising global leaders, responded by laying bare Correa's intolerance of criticism and advising that "If you are this sensitive, then Twitter and Facebook might not be for you. And, to be honest, being a world leader might not be for you." Correa, missing the joke, rattled off several tweets in response, accusing Oliver of making "too much noise for such little nuts," and pronouncing "English comedian" to be "an oxymoron".



## Maternity leave extended in Peru

On 22 March Peru's national congress approved a resolution ratifying the International Labour Organization (ILO)'s Convention 183 on maternity protection benefits. Among other things, the ILO convention stipulates that paid maternity leave should last at least 14 weeks and that at least six of these should be allocated to the period after a mother has given birth. Until now Peru's labour legislation allowed for 12 weeks of paid maternity but following the ratification of the convention this will be automatically increased to 14 weeks. Peru becomes just the 30th country to have ratified Convention 183.

**BOLIVIA | Exporting LPG to Brazil.** Bolivia will shortly begin exporting liquefied petroleum gas (LPG) to Brazil, President Evo Morales revealed on 28 March, and is already selling the fuel to Paraguay, Peru and Uruguay. Speaking at a press conference in the central city of Cochabamba, Morales said that the new market would be supplied by a plant in the southern province of Gran Chaco with initial production of 1,000 tonnes per day, rising to 3,000 tonnes over time.

LPG, normally a mixture of propane and butane, is mainly used in heating appliances and cooking equipment, as well as industrial applications and vehicles. The plant in Gran Chaco separates the liquids from the natural gas Bolivia exports to Argentina so they can be processed into LPG. The plant is currently in the test phase.

**COLOMBIA | Poverty reduction.** On 24 March Colombia's national statistics agency (Dane) released its latest poverty data, which shows that the national poverty rate fell to 28.5% in 2014 from 30.6% in the previous year.

The poverty rate has been steadily falling over the last few years thanks to consistently solid economic growth and the various social programmes implemented by the government led by President Juan Manuel Santos. The latest Dane data confirms that this trend continued last year and should provide a boost for the government, which has continued to direct social spending towards providing better education, access to housing and healthcare, and other public services for Colombia's poor.

The Dane data also shows that there also was a significant one-percentage point reduction in the rate of extreme poverty last year to 8.1%, the lowest rate of extreme poverty recorded in Colombia in a decade. According to Dane, the results mean that 784,000 Colombians were lifted out of poverty in 2014, while 407,000 escaped indigence.

However, despite such progress, Dane points out that there are still 13m people considered poor in Colombia and 3.7m deemed to be living in extreme poverty out of a total population of 48m.

Inequality also remains a major problem as the gap between rich and poor continues to widen despite the reduction in poverty levels. In this respect, the national association of financial institutions (Anif) has pointed out that the government's target of reducing the country's Gini coefficient to 0.539 in 2014 from 0.54 in 2013 is "timid".

The United Nations says Colombia should strive to reduce its Gini coefficient to 0.47 over the next couple of years. The Gini measures levels of economic inequality within a society, giving a score of 1.0 to perfectly unequal societies and 0.0 to perfectly equal societies.

**COLOMBIA | Successful new bond issue.** The finance minister, Mauricio Cárdenas, confirmed last week that the government had successfully placed US\$1bn in 30-year sovereign bonds in international markets.

The operation was a re-opening of the issue of bonds maturing in 2045 that the government made in January and which have now raised US\$2.5bn. The new bonds offered a yield of 5.04%, slightly lower than the 5.06% offered by the original issue, which means that investor confidence in Colombian letters remains high. This is also suggested by the fact that the issue was oversubscribed, with demand equal to some US\$4.9bn.

Cárdenas said the successful bond sale gives his government more flexibility to adjust to economically uncertain times, and shows that international financial investors trust Colombian economic policymakers.

**PERU | Growing but at slower pace.** The economy grew by 1.68% in January compared to the same month in 2014, Alejandro Vilchez, the director of the national statistics agency (Inei), revealed. Despite the relatively slow rate of growth, the result means that the Peruvian economy has now posted growth for the past 22 consecutive months.

Vilchez said that the growth was driven by increased activity in the key mining and hydrocarbon sector, which expanded by 5.6% on the back of increased extraction of zinc (12.6%), silver (12%) and molybdenum (2.6%) during the first month of 2015.

Other sectors that contributed to the overall growth in January were banking (9.86%), telecommunications (9.63%), and retail (3.56%). The sectors that did not perform well were manufacturing, agriculture and fishing, which contracted by -5.54%, -2.99% and -23.51% respectively, when compared to January 2014.

The Inei data also shows that people in work in the region of Lima increased by 3.7% between December 2014 and February 2015.

**Another multi-billion dollar scandal**

**It is income tax season in Brazil at present, with personal declarations due by 30 April. A bad time, then, for a multi-billion dollar scandal to break in which federal police claim to have uncovered evidence that members of the finance ministry's tax appeals' board participated in a fraudulent scheme that may have deprived the nation's coffers of up to R\$19bn (US\$6bn).**

Operation Zelotes, according to the federal police, has found that advisers from the Receita Federal's Conselho Administrativo de Recursos Fiscais (Carf), the finance ministry's tax appeals' board, sought out large companies with hefty tax bills or legal disputes with the finance ministry. They would then offer these companies certain services, such as a reduction in tax or the cancellation of fines in return for a fee.

The federal police claim at least R\$6bn (US\$1.8bn) of fraudulent payments have already been discovered, and that the total value of the scheme could rise to R\$19bn.

Last week, the police seized R\$1bn in cash in 41 raids on company offices in São Paulo, Ceará and the Distrito Federal. One of those offices raided was the headquarters of Banco Safra, Brazil's eighth-largest bank. The agricultural sector is believed to be among the worst offenders, along with financial institutions, and the automobile industry.

Guido Mantega, the finance minister during the time the alleged fraud took place, immediately resigned from his position on the board of the state-run oil company Petrobras. He has yet to comment publicly to the press about the investigation. Joaquim Levy, the new finance minister, had apparently been aware of the probe since taking office in January. Shortly after his appointment, he spoke of the need to strengthen Carf, an organisation with just 216 members, in order to "stimulate the efficiency of good businesses".

**Economic overview**

Away from the latest corruption scandal, Brazil's economic outlook also deteriorated this week. The weekly survey of market economists by Brazil's central bank forecast a recession of 1% in 2015 on 30 March, a more severe contraction than the 0.83% predicted just one week earlier (see sidebar).

In an interview with the local financial newspaper *Valor*, the planning minister, Nelson Barbosa, said the government believed growth would return in the third quarter of this year. But he said that for this to happen, the government's fiscal adjustment plans had to stay on track - a big ask from a restive congress that has proven unwilling to cooperate - and inflation had to be brought down to the target range of 4.5% plus or minus 2%. It is currently forecast to be 8.09% this year. But Barbosa pointed to historical precedent in support of his optimism. In 1999 the economy grew by just 0.25%; a year later, it grew by 4.31%; inflation fell from 8.94% to 5.97% in the same period.

Levy, meanwhile, has had to battle with some mischief-making from the local press who gleefully reported some slightly incautious criticism of his of President Dilma Rousseff while speaking in English to University of Chicago students. Rousseff appears minded to overlook the comments, and in some senses, they strengthen Levy's credibility with international investors and the Brazilian business community.

**Deteriorating  
outlook**

The outlook for 2016 has also been lowered to 1% economic growth, down from 1.2%. The local currency, the Real, has lost 46% of its value against the US dollar since last July.

## Opinion poll

A new opinion poll, released on 23 March, showed President Dilma Rousseff's approval rating at just 10.8% (with a 2.2% margin of error). This survey was conducted by MDA, and commissioned by the Confederação Nacional do Transporte (CNT), between 16 and 19 March among 2,002 voters in 137 municipalities in 25 states. This MDA sample also found that 68.9% found Rousseff was to blame for the Petrobras corruption scandal. Although 90.1% believe that those accused in the Lava Jato investigation are guilty and should be punished, 65.7% believe that they will never go to jail.

At a meeting with senior business executives this week, Levy received support for his tax raising plans, but on the condition that the pain be shared equally with cuts in public spending. Tarcisio Gargioni, vice-president of commerce and marketing at Avianca, one of those present at the meeting, said that despite an apparent lack of political support, Levy looked likely to create the conditions that would allow the private sector to return to investment and growth. But, he added, "[they] need to cut the number of ministries. The adjustment must be shared by everyone, not just restricted to the private sector."

## BRAZIL | ENVIRONMENT

### Government cuts anti-deforestation funds

A report published on 31 March by InfoAmazonia, a journalism portal focused on Amazonian issues, revealed that the administration of President Dilma Rousseff spent 72% less money on anti-deforestation measures than her predecessor, Lula da Silva (2003-2011). The report, which was widely circulated in the mainstream Brazilian media, underscores Rousseff's indifferent record on environmental issues.

Between 2011 and 2014, the federal government spent R\$1.77bn (US\$500m) on the Plano de Ação para a Prevenção e Controle do Desmatamento na Amazônia (PPCDAM), a strategy developed by President Lula in 2004, which consisted of land management, environmental monitoring and control, as well as the promotion of sustainable productive activities in the region. Between 2007 and 2010, the period of Lula's second mandate, the government spent R\$6.36bn (US\$2bn) on the same plan.

Nevertheless, the study also shows that the Amazon has registered its lowest level of deforestation since 1988 during the period Rousseff has been in office. That fact is attributed to the "less dramatic" situation the current president inherited on her election.

Between 2003 and 2004, the first two years of Lula's mandate, just over 25,000 km<sup>2</sup> of the rainforest was chopped down; by comparison, between 2011 and 2012, the first two years of Rousseff's term in office, that figure was just 6,500 km<sup>2</sup>.

### Environment ministry

The latest figures put out by the ministry of the environment, relating to August 2013 to July 2014, claim there has been an 18% year-on-year decline in legally approved deforestation. However, this decline is contested by other monitoring organisations.

On 11 March, Brazil's national space research institute (Inpe) published satellite data showing a record number of forest fires in Brazil in the first two months of this year. The Inpe claims that deforestation, therefore, between November 2014 and January 2015 is up 40% when compared to the same period of the year before.

In response to InfoAmazonia's report, the environment ministry said that it was still analysing the document. However, it restated that the fight against deforestation remained a priority for the government and pointed out that during Rousseff's term in office, Brazil had registered four of the lowest years on record for total area of forest cut down. "We are convinced that we will reduce deforestation to our goal of 3,935 km<sup>2</sup> by 2020," it said in a statement.

In early March the environment ministry, in conjunction with the justice ministry and the national development bank (Bndes), announced the creation of the *Companhia de Operações Ambientais*, a 200-strong unit from the national guard to combat illegal deforestation in the Amazon. The

### Kicillof responds

Speaking a day before the strike, the economy minister, Axel Kicillof, said that the current income tax threshold levels were “correct”. In a press conference on the day of the industrial action itself, Kicillof questioned the motivation for the strike. “The income tax affects just 10% of the workers, who are those who earn the most. It doesn’t affect 30% or 40% or even 50% of the workers. So this show of force from the rest of the workers is really in solidarity with those who earn the most,” Kicillof said.

financing of the project, budgeted at R\$30.6m (US\$9.8m) will come from the Amazon Fund, set up by Bndes. This will be the first Amazon Fund project to tackle deforestation.

### Government sceptics

Other moves the government have made, however, indicate that it is not particularly interested in attracting support from the environmental movement. The new agriculture minister, Kátia Abreu, relishes her nickname as the “chainsaw queen” and has repeatedly stated her role is to ensure Brazil’s successful agricultural production sector trumps environmental concerns or indigenous peoples’ land rights.

Similarly, Aldo Rebelo, the former sports minister, became Brazil’s science and technology minister at the start of Rousseff’s second term. Rebelo once described climate change as “nothing less, in its geopolitical sense, than the bridgehead of imperialism”. Although he has not distanced himself from his sceptical view, at his swearing-in ceremony in January, Rebelo said that his ministry would be guided by the government’s established positions on climate change.

## ARGENTINA | ECONOMY

### Strikes cause transport problems, government unmoved

Workers from 33 different trade unions, with 22 of them from the transport sector, brought large parts of Buenos Aires and other parts of Argentina to a halt on 31 March as they carried out a national strike, the fourth against the administration of President Cristina Fernández. Both pro and anti-government unions participated in the protest which was called to demand the Fernández administration raise the current income tax threshold. The government shows no sign of heeding the protesters’ demands, and further strikes seem likely at this stage.

In Buenos Aires, short, medium and long-distance buses did not operate on 31 March; nor did the commuter trains connecting the city with the Greater Buenos Aires region. Two of the metro lines were closed, as were the city’s banks. Waste collection services were suspended and at least 78 hospitals were affected. Elsewhere in Argentina, the provinces of Rosario, Santa Fe and Misiones were badly affected; but many other areas also reported disruptions.

Led by Hugo Moyano, of the anti-government branch of the Confederación General del Trabajo (CGT); Pablo Micheli’s anti-government Central de Trabajadores de la Argentina (CTA) as well as the Azul y Blanco branch of the CGT, of Luis Barrionuevo, the strikers have been demanding an increase in the income tax threshold, which is currently set at Arg\$15,000 (US\$1,700) as well as an expansion of benefits and grants for union-run healthcare schemes.

Even Antonio Caló, of the government-supporting branch of the CGT, while not actively endorsing the strike, allowed his workers to participate. The strikers argue that their salaries are being eroded by a combination of inflation, currently running at 25%, and taxation.

At a press conference held at the CGT headquarters in Buenos Aires, Moyano described the strike as a “success” although he refused to be drawn on the number of those taking part. “Workers have expressed themselves today,” he said. “They demand an answer from the government; we expect an answer from the government.”

The union leaders acknowledged, however, that they were considering another 36-hour strike, including a rally in the Plaza de Mayo, should the government fail to respond to their demands.



## Corruption allegations

On 30 March Máximo Kirchner, son of Argentina's President Cristina Fernández, denied press reports that he held foreign bank accounts jointly with Nilda Garré, the Argentine ambassador to the Organization of American States (OAS). According to investigations by the Argentine newspaper *Clarín* and the Brazilian weekly *Veja*, both Kirchner and Garré were signatories to accounts at Felton Bank in the US (now CNB) – which at one stage held US\$61m in funds – and at Morval Bank in the Cayman Islands, with US\$19m in funds. It is also claimed that Garré had accounts at Tejarat Bank in Iran. Both strongly deny the accusations.

**ARGENTINA | Citibank suspended from capital markets.** Argentina's securities regulator, the Comisión Nacional de Valores (CNV), suspended Citibank Argentina from operating in local capital markets on 27 March.

The move follows Citibank's agreement with US Federal District Judge Thomas Griesa to allow it to process interest payments on Argentine bonds as long as it was a 'one-off', which would allow the banking group to exit its local custody business. Griesa has been seeking to block all Argentine debt service payments until the country pays a group of 'holdout' creditors with whom it has been in dispute.

The CNV ordered a "precautionary suspension" after finding that the bank did not comply with Argentine banking laws. The suspension means that Citibank will not be able to operate in the local stocks and bonds market, but it will be able to continue with its retail activities.

According to *Reuters*, Citibank Argentina opened its first branch in 1914. It is the country's 12th largest bank by deposits, with Arg\$22.82bn (US\$2.67bn) as of December 2014, about 2.6% of all deposits in the Argentine banking system.

**BRAZIL | Industrial production.** After rising 2% month-on-month in January, industrial production fell 1.5% in February, according to Brazil's official statistics institute, Ibge.

Several reasons have been given, some more serious than others. A one-off factor was that Carnival this year was in February rather than March, accounting for at least two days' holiday.

More worryingly, however, there are signs of job losses and a build up of inventory. Furthermore the deterioration of the Real, means that certain imports necessary for production have added to cost pressures on the sector.

**PARAGUAY | Mixed results on poverty.** A total of 1.5m Paraguayans, or 22.6% of the 6.78m population, are living in poverty, according to an official report released by the national statistics agency (DGEEC) on 31 March. Of these, 710,173 people, or 10.5% of the population, live in extreme poverty, or indigence. Overall poverty fell by 1.2 percentage points from 23.8% in 2013, but an additional 33,084 people slipped into extreme poverty, up by 4.7% on 2013.

A total of 16% of residents of urban areas are calculated to live in poverty, a figure that doubles to 32% among rural inhabitants.

The report did not take into account the 2% of the population living in the western departments of Boquerón and Alto Paraguay in the Chaco region.

**URUGUAY | Economy outstrips projections.** Uruguay posted its 12th consecutive year of economic growth in 2014, one of the longest runs in the country's history. The economy expanded by 3.5%, according to the central bank (BCU). While this was down on the 5.1% GDP growth registered in 2013, it surpassed the predictions of both local analysts (3.3%) and the economy ministry (3%) for 2014.

Every sector of the economy expanded except construction, which contracted by 1.8% as "the housing market reached a plateau", according to the BCU. Growth was driven by household consumption, which expanded by 4.2% (down from 5.2% in 2013).

Exports increased by 1% (up on just 0.2% in 2013) to US\$9.16bn as a result of the Montes del Plata pulp mill coming on-stream in Punta Pereira in the department of Colonia in the second half of last year, as well as the contentious increase in production at the UPM pulp mill. Imports, meanwhile, fell by 1.2% to US\$10.76bn. Uruguay's trade deficit fell 12.5% to US\$1.60bn in 2014, the lowest for four years, according to the BCU.

The economy and finance ministry is still urging "caution" in 2015, however, and is promising to keep a tight rein on public spending. This is primarily because the economies of both of Uruguay's large neighbours are going through turbulent times: Brazil's economy stagnated in 2014 and Argentina's almost ground to a halt.

The cumulative effect of the constant economic expansion in Uruguay can be seen in the constant fall in poverty levels. Poverty fell to single figures in 2014, down 1.8 percentage points to 9.7%. The number of people living in indigence also fell from 0.5% to 0.3% of the population.

These are the lowest levels for both sets of poverty figures since Uruguay's return to democracy in 1985. In absolute terms, there are now 335,008 people living beneath the poverty line in Uruguay; and a total of 10,360 living in extreme poverty.

## López Obrador

Andrés Manuel López Obrador, the maverick leader of the radical left-wing Movimiento de Regeneración Nacional (Morena), urged voters in the state of Guerrero this week not to express broad disenchantment with the established political class by abstaining in the forthcoming elections on 7 June as this would benefit the Partido Revolucionario Institucional (PRI) and the Partido Acción Nacional (PAN). López Obrador claimed that the staging of a football match between Mexico and Brazil on the same day as the elections was “part of a strategy” to keep abstention high. Polls suggest Morena will perform almost as well as the left-wing Partido de la Revolución Democrática (PRD) in the elections for the federal lower chamber of congress.

## MEXICO & NAFTA

### MEXICO | POLITICS

## Peña Nieto's popularity dwindling

President Enrique Peña Nieto's approval rating has fallen to its lowest level since he took office. Peña Nieto's popularity is fairly high by regional standards, but it is very low by Mexican standards where the office of the presidency tends to be accorded greater respect. It is worth noting, for instance, that his predecessor, Felipe Calderón (2006-2012), did not see his approval rating slip beneath 53% despite the homicide rate spiralling as he waged a bloody war against drug trafficking organisations (DTOs). If low oil prices persist, the economy fails to pick up and there are further spending cuts; the protests by relatives of the 43 'disappeared' trainee students in Iguala persist; or a new corruption scandal emerges, Peña Nieto's approval rating will take a further hit.

In April 2013, when the first survey of President Peña Nieto's mandate was carried out, he enjoyed a 50% approval rating and 30% disapproval. Since then his government has pushed through a raft of ambitious reforms which he might have hoped would have bolstered his popularity rather than shrinking it. But the opinion poll released by the national daily *Reforma* which tallies the results of 1,200 respondents to questions between 19 and 22 March, put his approval rating on 39%, and his disapproval rating 57%.

The problem is that on the two principal concerns in opinion polls his government has not delivered. Peña Nieto's flagship policy proposal to combat public security was to create a gendarmerie and reduce the crimes that affect ordinary citizens, such as kidnapping and extortion, rather than placing the emphasis on a 'decapitation' strategy aimed at downing drug kingpins like Calderón. The gendarmerie, however, has been systematically diluted to become a mere appendage of the federal police (PF) force; kidnappings are as frequent as ever, while, somewhat ironically, the government has been successful at capturing the leaders of DTOs (just this week Peña Nieto boasted that a total of 92 of the 122 kingpins on its target list had been taken out) without this bringing about a concomitant reduction in violence.

Meanwhile, there is a growing public perception that the fiscal and financial reforms he introduced have contributed to an economic slowdown rather than spurring GDP growth. As such while public security remains the main public concern on 48%, this has fallen 11 percentage points from 59% in the last poll in December 2014. Meanwhile, the percentage of respondents who view the economy as the main concern has crept up from 15% to 26%. Mexico's economy grew by just 2.1% in 2014, barely half the government projection of 3.9%. The decline in the global price of oil contributed to this lacklustre performance, leading the finance minister, Luis Videgaray, to cut public spending for 2015 by the equivalent of 0.7% of GDP.

*Reforma* also interviewed 1,088 'opinion leaders', including academics, politicians, members of civil organisations and businessmen. They were far more critical, giving Peña Nieto a disapproval rating of 82%, as opposed to an approval rating of 73% in April 2013. They put corruption (63%) as the principal cause for concern in Mexico, up 17 points on last December, followed by the economy (17%) and crime (13%). As many as 71% felt the anti-corruption system approved by the lower chamber of congress in late February would fail to reduce this serious problem.

There are signs that Peña Nieto's popularity slump is affecting the ruling Partido Revolucionario Institucional (PRI). As things stand polls suggest the PRI with its allies would come close to a majority in the federal lower chamber but it is losing more and more ground to the main opposition Partido Acción Nacional (PAN) in the polls. If this continues Peña Nieto and the PRI will be forced to make potentially costly concessions to the PAN.

## Tianguis Turístico

This year's Tianguis Turístico was attended by 618 firms - 207 national and 411 international - from 65 different countries, a new record level of foreign participants.

### Almost 132,000 unaccompanied minors arrested in 2012-2014

In the three years between 2012 and 2014, US border security officials arrested 131,713 unaccompanied minors (i.e. teenagers and children under the age of 18) from Mexico, El Salvador, Guatemala and Honduras on the US-Mexico border, according to latest data from the US Department of Homeland Security. In Fiscal Year (FY) 2012 (running from March 31-April 1), a total of 24,000 minors were detained, rising to 38,759 in FY 2013 and to 68,551 in FY 2014, when the US government admitted to a 'child migrant crisis' on its borders.

In the five-year period between 2009 and end February 2015, 92,956 (or 47.6%) of all unaccompanied minors were from Mexico. However, the number of Mexican minors stopped while trying to cross the border has remained relatively stable and is even falling, with 16,112 arrests recorded back in 2009 and 15,634 in 2014.

In marked contrast, the number of detainees from the three Northern Triangle countries rapidly increased over the 2009-2014 period; by a factor of 18.84 from Honduras, a factor of 15.9 from Guatemala and 13.43 from El Salvador, according to the US authorities. While Mexican minors are sent back under US-Mexican bilateral migration accords, Central American minors are held by the US authorities and processed.

Despite pledges by the Mexican government to protect these often very young children better as they make the most perilous part of their journey up through Mexico, data recently released by Mexico's national migration institute (INM) in reply to a freedom of information (FOI) request reveal that the number of reported cases of kidnappings or abductions of migrant children increased by a factor of 10 in 2014. According to the INM, in 2014 there were 682 reports filed of minors being abducted, including 365 Hondurans, 200 Salvadoreans, 100 Guatemalans and 17 Nicaraguans. In 2013, there were just 62 cases reported, among which were 37 Hondurans, 19 Salvadoreans, five Guatemalans and one Nicaraguan.

From 2012, Mexico's Dirección de Control y Verificación Migratoria began compiling statistics on human rights violations suffered by all migrants moving through the country, many of which, including very young girls and boys, are targeted by criminal and drug gangs for human trafficking and other barbaric purposes. The latest INM data likely reflected both the surge in child migration in 2014 and potentially also increased reporting of disappearances (whether by the parents or relatives of the missing children, or by their home country authorities), at the encouragement of the Mexican government. Tragically, many cases are never reported at all.

## TRACKING TRENDS

MEXICO | **Tianguis Turístico.** President Enrique Peña Nieto inaugurated the 40<sup>th</sup> edition of the Tianguis Turístico annual international tourism trade fair in the Mexican resort of Acapulco last week. During a short speech, Peña Nieto said that 2014 was the best year yet for tourism in Mexico with a record 20.5% increase in the tourism sector compared to a 4.7% global increase. Peña Nieto pointed out that between 2013 and 2014 the number of international visitors to Mexico went from 24.5m to 29.1m, making Mexico the 10th most visited country in the world in 2014 compared to 15th in 2013 on figures from the World Tourism Organization (UNWTO). This boost in visitors in turn led to a 9% increase in overall spending by tourists; and, according to Peña Nieto, meant that last year the domestic tourism sector produced economic benefits for the country equal to US\$16bn.

Peña Nieto said that Mexico's challenge now was to consolidate these positive results and allow the sector to continue generating "jobs, wealth and income for Mexican families". With this in mind, Peña Nieto announced the launch of a new 'national social tourism strategy', which aims to benefit 2m poor Mexicans by providing them with special assistance so that they too can visit some of the country's touristic attractions. Under the strategy, the tourism ministry (Sectur) will collaborate with the social security institute (IMSS) in order to offer assistance to low-income families, pensioners, young adults and people with disabilities so that they can more easily travel within the country.

**Slow electoral count ends in stalemate**

El Salvador faces three years of stalemate after the official results from the legislative elections were finally published by the supreme electoral tribunal (TSE) on 27 March almost a month after voters cast their ballots. Neither the ruling left-wing Frente Farabundo Martí para la Liberación Nacional (FMLN) nor the main right-wing opposition Alianza Republicana Nacionalista (Arena) will be able to gain a majority in the 84-seat legislative assembly even with the support of allies. The results were a setback for President Salvador Sánchez Cerén and will complicate his plan to ease through legislation increasing social investment and driving development. It was also honours even in the simultaneous municipal elections: Arena won more municipalities, but the FMLN won the more populous ones.

Arena will be the largest single party in the legislative assembly when new deputies take their seats on 1 May, with 35 seats. Three of Arena's seats were won in alliance with the Partido de Concertación Nacional (PCN), and it will be able to rely on the backing of the six deputies elected for the PCN itself in addition to the single seat secured by the Partido Demócrata Cristiano (PDC). Altogether this makes a bloc of 42, one shy of a simple majority.

For its part, the FMLN has generally managed to forge a legislative alliance with Gran Alianza por la Unidad Nacional (Gana), the moderate right-wing party composed mainly of Arena dissidents, which won 11 seats. This too makes a 42-strong bloc.

Part of the reason for the painstakingly slow count by the TSE was the desperately close contest for the 84<sup>th</sup> seat in the legislative assembly. Because this seat, in the department of San Salvador, was settled by fewer than 100 votes, which was less than the number of irregular votes, it was necessary to reopen several ballot boxes and recount tally sheets. In the end Arena's retired General Mauricio Ernesto Vargas edged out Douglas Avilés, the secretary general of Cambio Democrático (CN), an incumbent deputy for the small left-leaning party that backs the FMLN.

With so much riding on this result and tensions running high - both Arena and the FMLN had proclaimed Vargas and Avilés respectively as victor before the result was confirmed - the president of the TSE, Julio Olivo, had to resort to calling on the national police (PNC) to block access to the building where the final count was taking place. The general coordinator of the FMLN, Medardo González, dropped in "to verify" the process. The result is crucial because it deprives the FMLN of the means to construct a simple majority and means Arena can now stymie Sánchez Cerén's legislative agenda.

**The new composition of the legislative assembly**

Parties	Seats	
	2012	2015
Arena	33	35
FMLN	31	31
Gana	11	11
PCN	7	6
PDC	1	1
CD	1	0
<b>Total</b>	<b>84</b>	<b>84</b>

**Voto cruzado**

Despite the contentious decision to introduce the 'voto cruzado', which gave voters the option for the first time to choose individual candidates rather than vote for parties as a whole as well as multiple candidates from different parties in larger departments, there was virtually no change to the composition of the legislative assembly in terms of party presence. Indeed, of the 84 deputies elected, there were just two seats that effectively changed hands. Arena picked up one seat from its ally, the PCN and, crucially, the one seat in the hands of the left-leaning CD. To show the extent of political polarisation in El Salvador, only 30,000 votes separated Arena and the FMLN in more than 1.7m received between them in the legislative elections.



## Archbishop's stern words for opposition

The auxiliary archbishop of San Salvador, Gregorio Rosa Chávez, who also took part in the 'march for life, peace and justice', was critical of the "absurd" decision by some to wage "a fierce campaign against the march". This was a reference to Arena and businessmen affiliated to the right-wing party, who deemed the organisation of the event to be "an exorbitant investment". The march was planned by the government's national council for citizen security and coexistence (CNSCC).

The fact that Vargas was eventually proclaimed the winner precluded any potential unrest. The closeness of the vote, in addition to the protracted vote count, eventually pushed Arena, which had been critical but accepting of the process, to claim that there were irregularities with 400 of the tally sheets and to demand a full recount. The president of the party's executive leadership committee (Coena), Jorge Velado, led a march in San Salvador on 21 March to the building where the TSE was carrying out the count.

Since 1 March, uncertainty had mounted as the only news emanating from the TSE had been the defence of the integrity of the electoral process by Olivo, coupled with his wild claims of "sabotage" which he maintained had prevented the release of preliminary results [WR-15-09]. The parties projected most of the results through their own internal counts, leaving the media to fill in the interstices.

The narrow defeat for the CD at the hands of Arena is a serious blow for the Sánchez Cerén administration, and the stalemate in the legislative assembly is problematic for the country as a whole. El Salvador is in the tight grip of secular stagnation, the resolution of which will be complicated - not least because dollarisation, introduced in 2001, limits the effectiveness of monetary policy - and require either a government with a strong mandate or political consensus. The president of the central bank, Dr Oscar Cabrera, revealed on 27 March that the economy grew by 2% in 2014, the lowest in Central America, and slower than population growth.

### Public security challenge

Private investment, just 13.6% of GDP, is also the lowest in the sub-region, Cabrera revealed. Until a sitting government can significantly improve public security, investment is unlikely to pick up much. The Sánchez Cerén administration has, with some nuances, reverted to the tougher 'mano dura' approach to the *mara* gangs in El Salvador.

On 26 March Sánchez Cerén participated in a 'march for life, peace and justice', along with 450,000 people nationwide (300,000 in San Salvador and 150,000 in total in the country's other 14 departments). It took place two days after the 35th anniversary of the assassination of the Archbishop Oscar Arnulfo Romero, who will be beatified in San Salvador's central square on 23 May. Sánchez Cerén, who described the march as "one of the most historic and significant days for our country", said he would "apply the law with firmness to defeat violence [but] extend a hand to those who decide to stop killing and conspiring against peace" in the country. He said his government would shortly send the legislative assembly a bill on 'the reinsertion of gang members'.

One small piece of positive news for the government was the official announcement that remittances increased in 2014 by 6.3% to US\$4.22bn. While Mexico unsurprisingly leads the way among remittance destinations in Latin America for expatriates living in the US in terms of the absolute total of remittances, El Salvador comes out on top in terms of the per capita size of remittances: US\$658.91, more than triple those to Mexico.

### Municipal results

As regards the municipal elections, Arena finished controlling 129 (10 in alliances with the PCN or PDC) of the 262 municipalities in El Salvador's 14 departments. This is 15 more than Arena managed to win in the last elections in 2012.

The FMLN finished with 85 mayors, the same as before but with some much bigger municipalities - including the crown jewels, the mayoralty of San Salvador under Nayib Bukele - and will govern over the largest proportion of the population. The remaining 48 mayoralties were split between the PCN (19), Gana (16), the PDC (five), the CD (one), the Partido Social Demócrata (PSD; one) and coalitions between them (six).

**Nationality**

Speaking at a seminar on human rights, nationality and sovereignty this week former president Leonel Fernández said that the Dominican Republic did not have to abide by “an absurd ruling” by the Inter-American Court of Human Rights last August which called on the country to provide redress for human rights abuses suffered by Dominicans of Haitian descent and Haitians as a result of illegal deportations, denial of identity documents and arbitrary deprivation of nationality [WR-14-45]. It also ruled that a resolution by the Dominican constitutional tribunal (TC) in 2013 effectively leaves an estimated 200,000 Dominicans of Haitian descent stateless, violating “the right to nationality”.

**Ruling PLD split over re-election**

President Danilo Medina and his predecessor thrice president Leonel Fernández (1996-2000; 2004-2012) are locked in an undeclared internal power struggle within the ruling Partido de la Liberación Dominicana (PLD). Medina has been careful not to announce his intention to seek re-election. But he is so popular there is a move within the PLD to reform the constitution to allow him to stand for immediate re-election in May 2016. Fernández, who wants a fourth term in office, opposes this and has strong support within the party himself. In the face of a weak and disunited opposition, the PLD can afford the luxury of squabbling over its presidential candidate but if it gets too acrimonious it could open the door.

Fernández, who began a nationwide tour last week to rally support, confirmed on 12 March that he would openly seek the PLD’s presidential nomination after opinion polls suggested he was the favourite to win in the second round of presidential elections next year. Fernández said the constitution must be respected. In other words, President Medina should not seek to emulate him in order to prolong his stay in power - Fernández changed the constitution himself to permit non-consecutive re-election. Opinion polls suggest, however, that Medina would not require a second round but would cruise to a first-round victory if he were to run again.

Fernández has been palm-pressing scores of legislators and mayors across the country. He has also met 57 PLD deputies and 18 senators who have openly backed him to run for the presidency in 2016. The latest opinion poll released last week, however, showed that 69% of Dominicans favour modifying the constitution to permit consecutive re-election and 71% would vote for Medina. One of the reasons Medina would perform better than Fernández is because the public perception is that he has honoured his campaign proposals on issues such as education funding and combating illiteracy, while seeking to confront some of the endemic corruption from the Fernández administration that preceded him. Fernández would be much more vulnerable to attack on this front and a united opposition behind a popular candidate could pose a serious threat.

The PLD’s 35-strong political committee agreed on 26 March that it would address the issue of reforming the constitution to allow immediate re-election on 19 April. While Medina is more popular among the public, Fernández has stronger support within the PLD; Fernández is the party president and Medina would have to win over his loyalists in congress for a constitutional reform to prosper.

The opposition has been discounted with the whole political focus on the PLD’s next move. There are moves afoot, however, for two estranged opposition parties to bury their differences ahead of next year’s presidential elections. The majority of congressional deputies representing both the Partido Revolucionario Dominicano (PRD) and the Partido Revolucionario Moderno (PRM), a PRD splinter - 62 out of a total of 77 - recently signed a petition urging the principal leaders in the two parties, Miguel Vargas Maldonado, former president Hipólito Mejía (2000-2004) and Luis Abinader, to seal an electoral pact. The PRD has 43 deputies and the PRM 34 in the 158-seat legislative assembly.

The 62 deputies who signed the petition argued that unity was the only way to defeat the PLD, which has held executive power since 2004. But the deputies also fear that, without unity, they will lose their seats which they have held for an exceptional six years, rather than the customary four, in order to comply with a constitutional reform harmonising the staging of presidential and legislative elections in the country.

Abinader, who has announced his intention to run for president for the PRM, expressed his support for the proposal to “unite all the opposition”,

## Elite influence spreads wide

Honduran economist Hugo Noé Pino adds that the influence of Central America's economic elite extends from political campaign financing to the nomination of public officials and the use of the media to exert pressure in favour of their interests.

arguing that “unity has to happen not only to win the elections, but to make real changes in the country”. Abinader should be confirmed as the presidential candidate of the PRM, which is led by Mejía, at a party convention on 26 April. On a recent pre-election campaign rally in Puerto Rico, where there is a huge Dominican expatriate community, Abinader promised to prioritise tackling what he described as the rampant corruption and impunity that has prevailed during the PLD's tenure.

The PRM was formed out of the irreconcilable differences, and leadership tussle, between Mejía and Vargas within the PRD. The splinter group finally broke away in protest at Vargas's determination to run for president for the PRD in 2016. The PRD released a statement in response to the petition by the deputies ruling out any electoral pact without Vargas as the presidential candidate. Opinion polls suggest Vargas is not the man to take advantage of any potentially damaging infighting between Medina and Fernández supporters in the PLD.

\* A bilateral commission of the Dominican Republic and Haiti met on 27 March to try and overcome the recent tension that saw the closure of Dominican consulates in Haiti on 4 March after they were attacked by Haitian protesters demonstrating against xenophobic attacks suffered by their countrymen in the Spanish-speaking half of Hispaniola [WR-15-09]. The Dominican consulates were reopened on 17 March. While the Dominican foreign minister, Andrés Navarro, maintained that relations were “stellar”, his Haitian peer, Pierre Duly Brutus, said there was an urgent need to “calm the waters”.

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## TRACKING TRENDS

REGION | Icefi condemns policy power of Central American elite. The Central American Institute for Fiscal Studies (Icefi), based in Guatemala City, released a new volume on 24 March entitled “Fiscal policy; expression of power of the Central American elites”.

Based on studies drawn from a large two-year joint project on the composition and role of Central American elites, led by the Icefi and the Centre for Latin American and Latino Studies at the American University in Washington DC, and with the input of other leading regional research institutions, the book “analyses how elites influence fiscal policymaking” in Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica, shedding light on “the complex relations between the state, economy and society in these countries”.

The book is critical of the ‘veto power’ held by a traditional business elite over taxation policies in particular, which has worked to their benefit but has held back growth in the region. Hugo Noé Pino, a Honduran economist and former central bank president, notes that as a result of this, local policymakers see tax exemptions - typically for ‘special zones’ or the low cost assembly sector (maquilas) - as the only mechanism to generate employment and stimulate investment in the region. However, these opaque ‘corporatist pacts’ render fiscal policy inequitable and uncondusive to inclusive economic development.

COSTA RICA | ‘Puente al Desarrollo’. The leftist government has launched a new four-year plan to combat extreme poverty. The ‘Bridge to Development’ scheme, which will draw on existing funds, aims to assist 54,000 of the 94,810 families identified as indigent in 2014, amounting to an extreme poverty rate of 6.7%, according to the national statistics institute (Inec).

Key to the plan is a ‘social co-manager’, who will act as a ‘bridge’ between families and relevant social welfare institutions and draw up specific plans for each family. Each social worker will liaise with 170 families. Another initiative will seek to simplify the welfare system for families and social workers alike under the ‘Sistema Único de Beneficiarios’. The minister for human development and social inclusion, Carlos Alvarado, said the government was making “a real change in several fields to reduce poverty, which has stagnated in the last 20 years”. The Inec put the general poverty rate at 22.4% in 2014, or 318,810 households, up by over 32,000 on 2013.

## Quotes of the week

“When resources are given to the mayoralties [governed by the opposition] the public works are not completed and then they blame me.”

*Bolivia's President Evo Morales justifies his decision to warn voters during the latest election campaign that the central government would cease investment in electoral districts won by the opposition.*

“It's an honour that this congress has censured me.”

*Peru's prime minister Ana Jara.*

“In Mexico there is a new cartel of thieves, and it is in Los Pinos.”

*Mexico's maverick leftist Andrés Manuel López Obrador alleges that the presidential residence is the font of corruption during an election campaign rally.*

## Peru plunged into uncertainty as prime minister censured

As we go to press there is huge political uncertainty in Peru where congress has voted to censure the prime minister, Ana Jara, over the scandal at the national intelligence agency (Dini). This is tantamount to an impeachment. A combative President Ollanta Humala struck back by accusing congress of stretching Peru's institutional structure to breaking point. He has until 2 April to name a new prime minister and cabinet.

While President Humala has been forced to chop and change his prime ministers by congress several times already, it has stopped short of censuring, something which has not occurred in Peru since 1963. The vote undermined Humala's authority yet again, just after he had appeared to dust himself down from the last humbling at the hands of congressional deputies by organising two ostensibly successful rounds of dialogue with the political opposition.

Dissidents from within the ruling Gana Perú (GP) coalition (again) voted with the opposition in the censure of Jara by 72 votes to 43. They decided that Jara's explanation to congress on 20 March about Dini's spying on political opponents, including GP dissidents such as Vice-President Marisol Espinoza, was insufficient, especially after a subsequent report in the national daily *Correo* revealed that Dini had illegally gathered personal information on these public figures to use for potentially defamatory purposes. This report had forced Jara to replace three directors at Dini, which was suspended for 180 days on 1 March.

Humala had urged congress to avoid taking a step that could “destabilise the country”. He said that generating political instability and hampering the government response to heavy rains and landslides, which have claimed seven lives, was irresponsible. In a bitter irony for Humala, the Fujimorista Fuerza Popular (FP), with a past as clean as the air in Lima (recently found to be the worst in the region), spurred deputies to censure Jara. The FP is revealing in its newfound predominance in congress and is intent on weakening the government ahead of next year's general elections. But congress could have overplayed its hand. Humala might seek to placate congress in his choice of Jara's successor but if he raises the stakes with a controversial choice, congress will face a dilemma. If it delivers a vote of no confidence, Humala will have to dissolve congress. Advance elections would see the GP lose deputies but they would be a risk for the FP and would be unappealing to other parties yet to discuss alliances.

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**LATIN AMERICAN WEEKLY REPORT** is published weekly (50 issues a year) by **Latin American Newsletters**, 61 Old Street, London EC1V 9HW, England. Telephone +44 (0)20 7251 0012, Fax +44 (0)20 7253 8193 Email: [subs@latinnews.com](mailto:subs@latinnews.com) or visit our website at: <http://www.latinnews.com>

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