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Cuba-US ties prosper at Summit of the Americas

The abiding memory of the VII Summit of the Americas in Panama from 10 to 11 April will be the presence of Cuba's President Raúl Castro and the private meeting he held with his US peer Barack Obama. This historic event was not upstaged by the diplomatic spat between the US and Venezuela over the recent executive order declaring the country a threat to US national security and ordering sanctions against seven officials. Obama was lectured by several leaders present about past US interventions in the region, but he stressed his focus was on regional cooperation for future prosperity with equity (the theme of the Summit) which received little media coverage, although a series of accords on energy and education were struck.

It is worth noting that for all the talk of summit saturation in recent years, with the myriad integration movements forged in the region, some of which have been designed with the express purpose of excluding the 'imperialist' US, the Summit of the Americas – a US brainchild – had full attendance, with the exception of President Michelle Bachelet, who is overseeing the humanitarian response to a natural disaster in northern Chile.

The main talking point was President Castro's first attendance at the Summit of the Americas, which is held every three years, and his first private meeting with a US head of state. Presidents Obama and Castro delivered the most eagerly anticipated speeches. Obama spoke first. He reminded those present that, shortly after he took office, he promised at the Port of Spain Summit of the Americas in 2009 a "new approach" to the region. Six years on, Obama said, "I met that commitment," including the promise to restore diplomatic relations with Cuba.

Castro spoke directly after Obama for some 40 minutes, wryly begging the indulgence of his fellow heads of state for exceeding his allotted eight minutes on the grounds that he was making up for lost time, as Cuba had not been invited to the previous six Summits. Castro held forth on past US "imperialist aggression" in Cuba. But he then went as far as to "apologise to President Obama and others for going on like this", adding "I exude passion from my pores when it comes to the [Cuban] Revolution. After saying so many harsh things...it is fair that I apologise to him, because I am among those who believe...that, in my opinion, President Obama is an honest man."

Castro lauded Obama's "brave decision" to take on US Congress over the trade embargo. He also promised "reforms", while remaining adamant that this would be to update "the Cuban economic model with the aim of perfecting our socialism, advancing toward development and consolidating the achievements of the Revolution". Castro also touched on Venezuela, which he said could never be a security threat to "a superpower like the US", but added that it was "positive" that Obama had subsequently recognised this.

US State terrorism list

Days after the Summit, President Obama sent a report to the US Congress with respect to the proposed rescission of Cuba's designation as a state sponsor of terrorism. This is another important gesture to Cuba. There is still no firm date for reopening embassies, but this should follow shortly. If Obama achieves nothing else as far as regional relations are concerned, a decisive move to end the anachronistic Cuban policy pursued by the US would be a major achievement. But the US trade embargo, the keys to the unlocking of which lie with a hostile Congress, continues to hang like an oppressive shadow over the whole policy of rapprochement with Cuba. Republican Senator Marco Rubio, who bitterly opposes restoring relations with Cuba, also threw his hat into the ring as a presidential candidate in 2016 this week.

Unlike Castro, who focused on US "aggression" in his native country, other leftist heads of state criticised US intervention elsewhere in the region. Obama responded to Ecuador's President Rafael Correa, who preceded him, by commenting that, "I always enjoy the history lessons that I receive when I am here. I'm the first to admit...there are dark chapters in our history...We can, I suppose, spend a lot of time talking about past grievances. And I suppose that it's possible to use the United States as an excuse...for political problems that may be occurring domestically...But that's not going to bring progress...to solve the problems of children who can't read, who don't have enough to eat."

But some governments need the past to survive in the present. In a much more belligerent speech than Castro, Venezuela's President Nicolás Maduro made constant references to past US interventions in the region and accused the US of having "committed an aggression" through its "irrational and disproportionate" decree branding Venezuela "a security threat". The US has indirectly admitted that the decree, which dominated the lead-up to the Summit, was misguided. Obama sent the State Department Counselor, Thomas Shannon, to Caracas on 9 April, the day before the Summit began, to convey the message personally to Maduro that the provocative decree essentially did not mean what it said.

Maduro told the assembled leaders in Panama that the US decree had been "vehemently rejected in English, French, Portuguese and Spanish". He insisted that it should be annulled, along with "the war machinery" in the US embassy in Caracas from which the US was "waging an economic war" in Venezuela. Despite all this, Maduro still sought and obtained (just before the end of the two-day Summit), a private 10-minute meeting with Obama, who assured Maduro that the US has no interest in threatening Venezuela but in supporting democracy, stability and prosperity in the country. Maduro later said he had stressed to Obama that Venezuela was not an enemy of the US and that he was "a passionate revolutionary" who wanted "to construct peace".

In marked contrast to Castro, however, Maduro seemed intent on provoking the US through both his rhetoric and his actions. The day before the Summit began, Maduro visited El Chorillo, a poor barrio in Panama City that was heavily bombed by US planes during the 1989 invasion to oust the country's dictator, General Manuel Noriega, leaving some 15,000 people homeless. After laying a wreath for civilian victims, Maduro slammed 'Operation Just Cause' as "an unforgivable attack on the people of Panama", accusing the US of continuing a historic policy of interference in a region it still deemed to be its backyard. Maduro also referred to the US invasion in his speech at the Summit, seemingly oblivious that this also constitutes intervention in the domestic affairs of another nation, embarrassing his host, President Juan Carlos Varela, who pointedly did not discuss the brief war with the US.

Varela stuck to the theme of the Summit, 'Prosperity with Equity', arguing in his closing speech that this had been chosen because strong growth in the region had not benefitted all the population sufficiently (Panama being the prime example). He said there had been agreement on 42 out of 48 mandates put forward in the areas of health, education, energy, the environment, migration, security, citizen participation, and democratic governance. "Amid the diversity and political plurality that exists among and within our nations, we set the stage for a frank and respectful dialogue," Varela said. "We have not sought unanimities, which are nothing if not impossible in plurality; rather, we have attempted to help build bridges in the midst of our differences," he added, in the absence of a joint declaration signed by all the participants.

In a briefing in Washington on 7 April, shortly before the Summit, the US Assistant Secretary of State for Western Hemisphere Affairs, Roberta Jacobson, was more candid in arguing that seeking to conceal these "differ-

El Salvador

Speaking at the Summit, El Salvador's President Salvador Sánchez Cerén called for the US sanctions on Venezuela to be revoked, arguing that history showed that "no unilateral measure by one State against another has resolved problems", and that dialogue had led to the resolution of "the internal conflict in El Salvador" in 1992. It was measured criticism compared to Nicaragua's President Daniel Ortega, who chose to catalogue past US interventions in the region, ranging from the 19th century US filibuster, William Walker, to the US invasion of Panama in 1989. But the US ambassador in El Salvador, Mari Carmen Aponte, still warned the country, unsubtly, that statements made by the governing party in favour of repealing the sanctions on Venezuela would make it difficult to obtain new funds for El Salvador.

ences" with a declaration full of platitudes was pointless: "documents that everyone agrees on...are not worth much, because they tend to get so watered down and become so general that they aren't really blueprints or mandates for action", and that while they might "make you feel good that everyone agreed on something, it lasts for about five hours".

Jacobson said that the concrete multilateral and bilateral accords reached were far more important than a joint declaration. The seemingly trivial could prove to be of even greater significance and even more 'concrete'. The table placements at the gala dinner on 10 April, for instance, spoke volumes. It was no accident that Obama sat next to Uruguay's President Tabaré Vázquez. Uruguay has stood alone in giving a nuanced response to recent events in Venezuela, criticising the US sanctions but, on the issue of human rights in the country, breaking with the regional silence at governmental level (31 former presidents from across Latin America signed a declaration presented at a press conference in Panama demanding "negotiated solutions" to the "severe democratic and institutional, economic and social crisis affecting Venezuela").

In the days preceding the Summit, Uruguay's foreign minister, Rodolfo Nin Novoa, insisted that "the issue of human rights is not valid in the principle of interference in the internal affairs of other countries. We have to ensure that human rights are respected by all everywhere." He added that, "the imprisonment of opponents is disturbing". Vázquez was careful not to criticise the Maduro administration directly during his speech at the Summit - but neither did he distance himself from Nin Novoa's remarks. Vázquez held a closed-door meeting with Obama and Costa Rica's President Luis Guillermo Solís, on the sidelines of the Summit, during which he sought support from Obama with respect to the lawsuit brought against Uruguay by the tobacco giant Philip Morris after he introduced legislation in 2010 banning cigarette sub-brands and requiring 80% of cigarette packaging to be dedicated to anti-smoking health messages.

Elsewhere, Obama heaped praise on President Enrique Peña Nieto for the Mexican government's energy reform and President Juan Manuel Santos for pursuing the peace process in Colombia. The change in its attitude towards Cuba has also helped the US to thaw other frosty relations. Brazil's President Dilma Rousseff agreed to visit Washington on 30 June, nearly two years after she suspended a visit in the wake of the US National Security Agency (NSA) spying revelations. It could be argued that Rousseff, facing an increasingly adverse domestic political, and indeed economic, situation and calls for her impeachment (see pages 7-8), has nothing to lose and everything to gain now through Obama's recognition but there is no question that the US gesture on Cuba played well to the ruling left-wing Partido dos Trabalhadores (PT).

Obama also met Central American leaders to underscore US commitment to promote sub-regional economic integration and growth; cooperation on violence prevention and combating crime; and sustaining economic and security gains through accountable governance. His request for US\$1bn from Congress for Fiscal Year 2016, prioritising assistance to the Northern Triangle - El Salvador, Guatemala, and Honduras - is, more specifically, a response to escalating drug-related violence and, above all, the more recent phenomenon of waves of child migrants arriving in the US.

Displacing Venezuela from its sphere of geopolitical influence in Central America and the Caribbean (as Obama's pre-Summit visit to Jamaica has been described) does not seem to be the overriding US concern. As the head of US Southern Command, General John F Kelly, told the US senate on 12 March "cuts in PetroCaribe deliveries to [Venezuela's] member nations could trigger regional economic downturns, which could elevate the risk of increased migration, especially in the Caribbean".

Massive march for peace but Santos resumes air strikes

President Juan Manuel Santos, the embattled leftist mayor of Bogotá, Gustavo Petro, politicians from (mainly leftist) parties, and a host of social organisations and victims' rights groups were among some 300,000 people who participated in a 'march for peace' in Bogotá and other cities in Colombia on 9 April. On the same day Santos extended the suspension of air strikes against the Fuerzas Armadas Revolucionarias de Colombia (Farc) for a second spell of 30 days. But on 15 April he ordered them to resume after a Farc attack in the south-western department of Cauca claimed the lives of 11 soldiers. Santos said the attack by Farc guerrillas constituted a "clear breach" of the unilateral ceasefire declared by the Farc last December.

The 'march for peace' took place on the 'the national day of memory and solidarity for victims', marking the 67th anniversary of the assassination of Jorge Eliécer Gaitán Ayala, a populist liberal politician, whose murder is widely seen as one of the catalysts for Colombia's long-running armed conflict. The main point of the march was to pay homage to the victims of the conflict, although some argued that it had been politicised to try and buttress public support for the Farc peace talks.

Santos laid a wreath for soldiers fallen in combat who he said deserved the country's eternal gratitude, delivering a speech in which he insisted that the sacrifice of the victims was what was driving him to persevere in the search for peace. "If there is something on which we are all agreed it is in compensating the victims [of the conflict], and I have often said that the biggest job is not just compensating them but ensuring that there are no new victims," Santos said, joining Petro to lay the first stone in what will become the national museum of memory at the centre for historical memory.

Santos and Petro also lit a 'flame of peace' at the new museum. In an accident which could be seen as symbolic of the difficulty of extinguishing the country's longstanding conflict, one of the torches used to light the 'flame of peace' fell and set the faux wood floor beneath it ablaze, prompting Santos's security detail to rush for a pail of water to contain it.

The president of the left-wing opposition Polo Democrático Alternativo (PDA), Clara López, who took part in the march, said "the Colombian people are appropriating the peace process and in doing so they are demanding that the Havana accords mark not only the end of the armed conflict but also the start of profound social reforms that constitute a real foundation for a sustainable and lasting peace". This is certainly what the PDA will be pushing for from the government in exchange for its full support for the peace talks.

However, while official moves to create a new museum of memory, coupled with initiatives such as Petro's announcement of the creation of a 'genetics laboratory for peace' (which will study some 30,000 DNA records of families who have missing relatives), constitute gestures to the victims of the conflict, many are far from satisfied. Indeed, the Farc victims' group refused to take part in the march, choosing to hold a meeting instead to form a federation to defend their interests better. "We feel ignored," said Senator Sofia Gaviria of the Partido Liberal (PL), part of the ruling coalition. Gaviria is the sister of a former governor of the northern department of Antioquia, Guillermo Gaviria, who was kidnapped by Farc guerrillas while leading a march against violence in 2002 and executed a year later in response to an attempted military rescue.

Guerrilla response

Both the Farc and the Ejército de Liberación Nacional (ELN) released statements in support of the march, arguing that the peace process was owned by the Colombian people and not the government or the guerrillas. The long-delayed start of peace talks with the ELN is a source of frustration for the Santos administration, although speaking at the Summit of the Americas in Panama over the weekend, Uruguay's President Tabaré Vázquez reiterated an offer made by his predecessor José Mujica (2010-2015) last year to host peace negotiations with Colombia's second largest guerrilla group.

The adjustment in numbers

After a very extended gap (of several years), Venezuela's central bank (BCV) has finally published new balance of payment figures up to the third quarter of 2014, allowing an important glimpse into the country's external position.

According to the new data, total oil exports were worth US\$58bn in the first three quarters of 2014 (non-oil exports are negligible, worth just US\$2.2bn in the same period), down from US\$64.4bn in the same period of 2013, with total imports (inclusive of fuel imports) valued at US\$32bn to September 2014, down from US\$39.7bn to September 2013.

In revenue terms, oil exports fell by 6% in the first three quarters of 2014. However, the country's import spend fell by 19%. In a similar vein, in calendar 2013, while oil exports fell by 8.5%, imports fell by 10.6%. By contrast, in 2012, when oil prices were nearing US\$100 per barrel (/b) – and it was a presidential election year in Venezuela – oil exports rose by 6.2%, but imports rose much faster, by a steep 26.8%.

Considering that oil prices only fell in the second half of last year – and also taking into account the fact that oil exports are sold forward, based on futures prices, meaning that the real impact on public coffers of price movements is only felt after a delay of about six months or so – the partial 2014 results, weaker as they are, are nothing compared to what can be expected this (election) year, when Venezuela will have to deal with a full year of prices below US\$50/b. By way of illustration, Venezuela's oil basket averaged US\$45/b in the first quarter of 2015, according to the energy ministry, down from US\$96/b in the year-earlier period, a drop of 53%.

The figures for 2013-2014 underline very clearly the fact that the Socialist government led by President Nicolás Maduro is forcing a massive adjustment on the country via imports. With dollars short, the BCV is simply not making sufficient foreign currency available to the domestic market to meet its huge (some would say insatiable) appetite for, and reliance upon, imports. (The new free-floating Simadi foreign exchange rate, which launched at BF170/US\$1 in mid February, hit BF195/US\$1 on 14 April, with the black market rate out at BF276/US\$1, pointing to an ongoing dollar scarcity).

This partly explains how the Maduro administration can continue to service its external debt (by hoarding dollars for that purpose). And despite the domestic political cost of the painful adjustment being forced on ordinary consumers, it also suggests that the Maduro administration, which seems to make economic policy on an ad-hoc, reactive basis, may be hoping to muddle through this year, in the hope of a recovery in oil prices in 2016. There is no guarantee of that, however. Despite some small shifts in recent weeks, there is no sign of a strong rebound in global oil prices. Indeed, some analysts have suggested that the new US-Iran deal could weigh further on prices moving forward, as Iranian oil supplies onto the world market rise, increasing the global supply glut.

Pdvsa target

The crude oil export target for 2015 for Venezuela's State oil company Pdvsa is 2.5m barrels per day (bpd), with 766,000 bpd set aside for the domestic market. With production stagnant at some 3.0m bpd, Pdvsa has gradually diverted more sales away from the US, and towards China, in order to service its oil-for-cash loan deals. On some estimates, up to 50% of Pdvsa's shipments to China, running at about 540,000 bpd according to the government, are payment-in-kind for these loans (and it's unclear whether China pays market price for the rest).

Meanwhile, Pdvsa's subsidised deliveries under Petrocaribe and various other programmes peaked at around 400,000 bpd in 2012, but have since been cut by around 50%, according to recent Barclays estimates. Ironically the US, which pays full market price, remains key to Venezuela's fortunes. However, according to the US Department of Commerce, Venezuela's income from crude oil sales to the US in January-February was US\$2.16bn, a 54% year-on-year drop.

Fracking

irresponsible

“This year there's no recovery in oil prices forecast. We've done everything, but unfortunately the incorrect strategy of President [Barack] Obama's advisers has led to fracking.... flooding the world's oil markets”

– President Nicolás Maduro blames US fracking for the collapse in global oil prices.

Maduro has suggested a constitutional prohibition on fracking in Venezuela, on environmental grounds.

Peru –

no ‘rebound’ yet

Peru registered economic growth of 0.94% year-on-year in February, according to the monthly index of national production compiled by the national statistics institute (Inei). The latest result gives year-to-date growth of 1.3%, while growth over the rolling 12 months (March 2014–February 2015) was just 1.8%. Peru has now recorded 67 consecutive months of growth, the Inei stressed. The latest result was below consensus expectations, however. According to the data, the February result was driven by sectors like retailing (+3.4% year on year) and business services. The collapse in the construction sector continues however – it fell by 10% year-on-year, while there were also contractions in key sectors including mining (-2.4%), manufacturing (-4.3) and fishing (-11.8%).

COLOMBIA | FDI inflows down 10% in Q1 2015. Colombia’s net foreign direct investment (FDI) result was US\$4.48bn year-on-year in the first quarter of 2015, down by 25%, according to preliminary central bank figures. Of this, FDI inflows fell by 10% to US\$3.3bn.

There was a large 12% fall in inflows to the key oil sector to US\$2.69bn, which nevertheless accounted for 82% of the first quarter inflow. Inflows to other sectors fell by 1.9% to US\$608.7m, the bank reported.

The country posted a current account deficit of 5.2% of GDP last year (US\$19.8bn). The International Monetary Fund (IMF) expects this to rise to 5.8% this year, before falling back to 4.9% in 2015, as oil prices, and therefore export earnings, begin to recover.

ECUADOR | Avanza rebels over pensions reform. The national assembly (AN) has approved by 91 votes to 29 the ‘organic law for labour justice and recognition of work in the home’, which reforms the labour code, the social security law and the public service law. The reform, designed to cut public sector costs at a time of a severe fiscal squeeze on the back of the oil price shock, may prove politically costly for President Rafael Correa.

The five representatives of the leftist party Avanza broke with Correa’s ruling Alianza País (AP) in protest at a reform to the social security law scrapping the government’s 40% obligatory annual pension fund contribution to the Instituto Ecuatoriano de Seguridad Social (IESS). The industries minister and Avanza leader, Ramiro González, shortly afterwards tendered his resignation, which was accepted by Correa. Nathalie Cely, the newly appointed coordinating minister of production (and formerly Ecuador’s ambassador to the US), has assumed the portfolio on an interim basis.

The IESS, nominally independent, is in practice run by government appointees. At present, the State’s 40% contribution to the pension fund costs around US\$1.1bn a year. Under the reform, the State would guarantee pensions, but with the specific 40% obligation scrapped. Correa went on TV to reassure anxious pensioners, pledging that the State would contribute whatever percentage is needed from year to year, right up to 100% if necessary. “Trust me,” he declared, “we will never let you down”. Pensioners, many of whom use their monthly payments to support extended families, remain unconvinced, threatening protests.

Within the AP itself, there is also some discomfort with the controversial reform. Some AP legislators sent their alternates to vote, in tacit protest. The pensions issue has overshadowed other progressive elements in the reform, including new pensions benefits for housewives.

VENEZUELA | Stagflation. The International Monetary Fund (IMF) now expects the Venezuelan economy to contract by 7% year-on-year in 2014 and by a further 4% in 2016, according to its latest (April 2015) World Economic Outlook (WEO) report, down from -3% and -1% just six months ago. The Fund lifted its annual average inflation forecasts to a dramatic 96.8% and 83.7% in the same period, from 64.3% and 62.9% previously.

Elsewhere in the Andean, the Fund’s projections, while “comparatively favourable”, in its words, have also been pared down since the last (October 2014) WEO report.

Projected real annual GDP growth in 2015 for Colombia is now 3.4%, down from 4.8% previously, on lower oil prices, while Peru’s forecast has been trimmed slightly to 3.6% from 3.8%. In the case of Peru, the Fund noted that “weak exports and investment caused a sharp slowdown in 2014, but concerted policy action and new mining operations should support a rebound this year”.

Ecuador’s forecast has been slashed to just 1.9%, down from 4% in October, again on the oil price shock. Meanwhile, Bolivia is the Andean region’s star performer, with projected real growth of 4.3% this year and next (albeit reduced from 5.2% and 5% previously).

In preventive detention, Vaccari quits the PT**Protest numbers down**

On 12 April tens of thousands of Brazilians took to the streets across the country to protest against the government of President Dilma Rousseff, but attendance was down significantly on the last such demonstration on 15 March. With wildly varying estimates of crowd numbers, perhaps the most reliable source is the polling agency, Datafolha, which puts the numbers in the city of São Paulo at 100,000; down from the 210,000 on last month's protest. In the city of Rio de Janeiro, the figure was closer to 12,000, with protests in other cities only attracting a few thousand.

João Vaccari Neto, the treasurer of the ruling left-wing Partido dos Trabalhadores (PT), was placed in preventive detention on the morning of 15 April as part of the 12th phase of 'Operation Car Wash' that has engulfed the State-owned oil firm Petrobras. Later that day, the PT issued a note, signed by its president Rui Falcão, stating that for "practical and legal" reasons, Vaccari had also requested his removal from his role as treasurer. Ever since Vaccari was implicated in the Petrobras bribery and corruption scandal, there had been a vigorous internal debate over whether he should stay in his post. Now, his arrest and departure from office may bring some of those strong disagreements within the PT out into the open.

The charges

According to the police investigators, the preventive detention was necessary given that at least five witnesses had named Vaccari as the "PT's operator in the scheme" and that there was "material evidence" of his involvement. The federal public prosecutor, Carlos Fernandes Santos Lima, said that Vaccari told executives from the civil engineering companies complicit in the corruption scheme to pay kickbacks from Petrobras contracts to firms linked to the party.

The PT's note insisted both on Vaccari's innocence and on the "unjustified" nature of the preventive detention, given that he had "always shown himself willing to cooperate with the authorities". Lawyers for the former treasurer have already requested a writ of habeas corpus. The danger for the PT is that his arrest now triggers major battles within the party. "There is a crisis within the PT which has been growing since the *mensalão* [the cash-for-votes scandal that took place in the previous administration of Lula da Silva]," Roberto Romano, a professor of ethics and politics at the University of Campinas (Unicamp) in the state of São Paulo, told *El País*. "The party is not hegemonic, there are various different currents and tendencies, and many of them are unsatisfied with the "practical" wing, which includes its national direction," he added.

Since the start of her second term, President Dilma Rousseff has taken many decisions which have horrified her erstwhile allies on the Left. Not the least of which was her decision to appoint Joaquim Levy, as finance minister, and embark on a course of financial austerity, in which the target of a 1.2% budgetary primary surplus target for 2015 appears to take precedence over all other priorities.

The PT is also so weak in the federal congress that is unable to stop legislation that runs counter to its deepest instincts. On 8 April, the lower chamber voted by 324 votes to 137 in favour of a bill which would regulate the use of outsourcing by Brazilian companies, infuriating the left of the PT (see page 10). Separately, the government is also attempting to pass legislation to increase the amount of time workers have to spend at a company before being entitled to unemployment benefits. Once again, the left of the PT considers this an attack on workers' rights from the so-called 'workers' party'.

The question is whether President Rousseff will choose between rooting out corruption and standing by her party. If she sticks to her guns on the anti-corruption measures, she could become powerless in congress - and with an opposition increasingly intoxicated by the idea of initiating impeachment proceedings.

Things can only get better?

Unexpectedly, the Brazilian economy expanded in February, defying the predictions of most economists. The seasonally adjusted economic index, a proxy for gross domestic product, rose 0.36% month-on-month in February, after falling 0.11% in January. Still, most economists refuse to let the bump in activity dissipate their gloom. Economists surveyed by the central bank see this year's GDP falling 1.01%, while inflation will end the year at 8.13%, well above the bank's inflation target of 4.5%, plus or minus two percentage points.

Certainly the International Monetary Fund (IMF) shares the consensus opinion that the Brazilian economy will shrink by 1% in 2015. In its World Economic Outlook (WEO) report, published on 14 April, the IMF slashed its previous growth forecast of 0.3%. "Private sector sentiment remains stubbornly weak because of unaddressed competitiveness challenges, the risk of near-term electricity and water rationing, and the fallout from the Petrobras investigation," the IMF stated in its quarterly projections for the world economy. "Greater-than-expected need for fiscal tightening also plays a role in the downward revisions," it added.

Petrobras: "back on its feet"?

February's figures will give the government of President Dilma Rousseff something to cheer, even if most economists do not think the worst is yet over. President Rousseff certainly thinks that it is in the case of Petrobras, the State-dominated oil company whose woes have done so much to undermine the Brazilian economy over the last year.

In a speech on 9 April, Rousseff declared that Petrobras had "cleaned what needed to be cleaned and is now back on its feet". Rousseff also sought to praise Petrobras' technical competence, pointing out that it had now extracted over 700,000 barrels of oil from the so-called "pre-salt" fields off the coast of Rio de Janeiro.

Shares in Petrobras on São Paulo's stock exchange Bovespa rose over 9% the day before, following rumours that the company will finally publish audited results for the third quarter of 2014 in the next few days. The latest reports in the local media suggest that the results will be available from 22 April. The financial daily *Valor* reported that the company believes that there are no further issues to be uncovered following scrutiny by both the Brazilian regulator, Comissão de Valores Mobiliários, and the US Securities and Exchange Commission (SEC).

On 15 April, the Bovespa reached its highest level so far for 2015, buoyed by the news that Petrobras plans to sell off some of its pre-salt oil fields in order to stick to its R\$13.7bn (US\$4.5bn) divestment goal for 2015-16. The company has decided to put up some of its better quality oil fields to make the proposition more attractive for investors.

The market is also expecting some kind of change in the government's current regulation of the rights to exploit the pre-salt fields. At present, Petrobras is obliged to participate in at least 30% of every well drilled in the area.

But on 8 April, the mines and energy minister, Eduardo Braga, told the federal congress that Petrobras should not be forced to operate all the pre-salt projects and recommended a review of the regulatory framework for pre-salt discoveries, one of the cornerstones of Brazil's energy policies. Senator José Serra, from the opposition Partido da Social Democracia Brasileira (PSDB), has already introduced such a legislative proposal in the federal senate.

Good news for Shell

On 8 April, Royal Dutch Shell announced that it was acquiring BG Group for US\$70bn in cash and shares. Shell will now incorporate all of BG's stakes in petroleum extraction in Brazil, making it the second-largest oil producer in the country. Shell has much better financial and leverage capacity than Petrobras to undertake investments in the pre-salt exploration.

Kirchnerismo passes first test in Salta

Arguably, it will not be until the open and mandatory primaries (PASO) in the city of Buenos Aires on 26 April that there will be a clear indication of the true political strength of the government and the opposition ahead of October's general elections. Nevertheless, in the first electoral test of the year to date, Kirchnerismo fared well, in one of its traditional strongholds. On 12 April the northern province of Salta held its primaries, with the Frente para la Victoria (FPV, *Kirchneristas*), the ruling faction of the Partido Justicialista (PJ, Peronists), candidate for governor, Juan Manuel Urtubey, receiving the highest number of votes.

The poorer north-western provinces of Argentina, like Salta, Jujuy and Tucumán, rarely set the tone for the national political debate, but Urtubey's performance demonstrates that Kirchnerismo remains a potent force in the region. The incumbent governor won over 47% of the vote, giving him a 15-percentage-point advantage over his nearest rival, Juan Carlos Romero, a former governor of Salta (1995-2007) backed by the dissident Peronist Frente Renovador (FR) of the presidential aspirant, Sergio Massa. This suggests that Urtubey should win re-election comfortably in May. On receiving the news of his victory, Urtubey attributed some of his success to President Cristina Fernández's "good governance".

Five leading Kirchneristas made a pilgrimage to Salta to congratulate Urtubey, including the cabinet chief, Aníbal Fernández, and four likely presidential candidates. Just before making his trip, Florencio Randazzo, the interior and transport minister, declared his intention to stand for President, and indicated that he would probably quit politics if he did not secure the FPV's nomination. Daniel Scioli, the current governor of Buenos Aires province, also headed to Salta; as did Sergio Urribarri, the governor of Entre Ríos; and Agustín Rossi, the defence minister.

The FPV's candidate for mayor for Salta's eponymous capital did not do so well. Although Javier David won the largest number of votes, the combined vote of the anti-Kirchnerista opposition was higher in the provincial capital, suggesting that the FPV candidate may lose the mayoral election in May. Mauricio Macri, the mayor of Buenos Aires and one of the leading opposition presidential candidates, said the result should "make Urtubey worried".

Others also sought to put a dampner on Urtubey's victory. Argentina's currency weakened following the result in Salta, and the value of the black-market rate, the so-called 'blue dollar', rose slightly in the days following, on fears that a strong showing by Kirchnerismo in the PASO to come may result in a greater crackdown on money dealing. On 19 April, the provinces of Santa Fe and Mendoza are due to hold their primaries, followed by Buenos Aires the following week.

Argentina and the IMF

Argentina will shrink by 0.3% in 2015, then post a slight recovery of 0.1% in 2016, according to the quarterly World Economic Outlook (WEO) report of the International Monetary Fund (IMF). The WEO also expects Argentina's domestic inflation to hit 18.6% this year (the fifth-highest in the world), accelerating to 23.2% next year. The IMF also forecast a deficit in the current account of the balance of payments expected to account for 1.7% of GDP this year and 1.8% next year from 0.9% in 2014.

However, the report was not uniformly negative. It refers to a "stronger expansion of public spending and larger private consumption which will compensate in part the fall in investments and exports".

Máximo to run?

Aníbal Fernández, the cabinet chief, suggested on 14 April that Máximo Kirchner, the son of President Fernández, was ready to run for an elected post representing the city of Buenos Aires in October. "He never said anything to me but I am convinced that Máximo has brought off the difficulties. All the elements are ripe for him to be a candidate," Aníbal Fernández said.

TRACKING TRENDS

ARGENTINA | More strikes? Aníbal Fernández, Argentina's cabinet chief, has said it would be "madness" to plan a further 36-hour strike, following the government's refusal to raise the income tax threshold. A successful national strike on 31 March, led by the transport unions, paralysed large parts of Argentina.

The trade unions are demanding that the income tax threshold should kick in at a higher level due to high levels of inflation in Argentina. "The only reason that collective wage bargaining agreements exist is because of this government," Fernández stressed.

BRAZIL | Corporate governance. The São Paulo stock exchange, Bovespa, will hold public hearings from 22 April into a plan it presented earlier this month to strengthen corporate governance of state enterprises in Brazil, as a response to the massive corporate mismanagement at the State-oil company Petrobras.

The public hearings will help elaborate a new framework that should be ready by 30 June. These hearings will focus on increased transparency, fine-tuning controls on boards and auditing committees, and the adoption of more transparent methods for selecting managers. It is worth noting, however, that adherence to these rules would be voluntary by State-owned firms.

BRAZIL | Pro-government unions protest. On 7 April around 2,500 trade unionists protested in Brasília over a congressional bill to liberalise the current law on outsourcing services. At present outsourcing is only permitted for so-called "part-services" or if it does not relate to a company's "end function". For example, a private university or publishing house, for instance, may outsource its cleaning and security jobs, but its teachers must be on the staff roster and in-house editors respectively.

The law, which was approved by the federal lower chamber of congress the following day, will greatly extend the circumstances under which outsourcing may be permitted; the ruling left-wing Partido dos Trabalhadores (PT) voted against the changes but was defeated.

Angry unions and their supporters took to the streets again on 15 April in 23 states across Brazil to express their anger over the legislation. Vicente Paulo da Silva, a PT congressman since 2003, said the passage of the outsourcing bill represented the "defeat of the left of the PT".

CHILE | Trade surplus. Chile posted a trade surplus of US\$3.12bn in the first quarter of 2015, the central bank announced last week. The figure compares favourably with the US\$2.12bn trade surplus registered over the same period in 2014, but it should not mask the fact that overall trade is slowing down.

Exports actually fell 7% year-on-year in the first quarter of this year, amounting to US\$17.70bn in total, but they outstripped imports, which fell by 13.9% to US\$14.58bn over the same period.

In March, the trade surplus was US\$999m as a result of exports of US\$6.17bn and imports of US\$5.17bn, but exports declined by 15.6% year-on-year, while imports fell by 6.8%.

The main cause of the slump in exports was the fall in the price of copper, Chile's most important export. Copper exports in March totalled US\$2.86bn, down by more than 20% on March 2014.

PARAGUAY | Exporting cattle. Paraguay will begin sending Ecuador a total of 12,000 head of cattle from May onwards in order to boost the bovine population and improve the genetic stock in the Andean country, the Paraguayan agriculture & livestock ministry (MAG) revealed this week.

The first 1,000 cattle will be sent to Ecuador in May in four separate cargo planes. The remaining 11,000 cattle will be sent periodically over the course of the rest of the year. Paraguay will receive US\$36m in total for the livestock, the MGAP announced.

The Ecuadorean agriculture and livestock ministry said it had chosen Paraguay's cattle because of the adaptability of its breeds to tropical and subtropical climates; the fact that they are free range and graze on grass in the Chaco region; that they are not treated with antibiotics or hormones; and that they produce high quality meat.

Paraguay beef exporting

Paraguay has 14.6m head of cattle and is currently the sixth largest global beef exporter. The government led by President Horacio Cartes has set the objective of increasing this figure to 17.5m by 2018 and becoming the fifth largest beef exporter in the world.

Mining sector under threat

Mining companies that operate in Mexico are being increasingly targeted by local criminal organisations. This is what Manuel Reyes, the president of the Mexican association of mining engineers, metallurgists and geologists, told the *Wall Street Journal* (WSJ) in a recent interview. “Engineers, executives, and miners have been extorted and kidnapped,” Reyes said, adding that “it is a daily threat”. Reyes pointed to the recent robbery of 900kgs of gold ore containing some 7,000 ounces of gold (worth some US\$8.4m) from a mine owned by Canada’s McEwen Mining Inc in Sinaloa state on 7 April.

Security forces under attack in Jalisco

The security forces in the western state of Jalisco appear to have become a target for the criminal organisations that operate there. Since last week there have been reports of deadly armed attacks by presumed criminals on law enforcement officials in the state. These reports are seen as providing added weight to the official view that as other drug trafficking organisations (DTOs) such as Pacífico/Sinaloa, Los Zetas and Los Caballeros Templarios (LCT) appear to have been weakened as a result of the successive blows that the security forces have managed to land on them lately, the Jalisco Nueva Generación (JNG) gang appears to have got stronger.

That Mexican government officials now view the Jalisco-based JNG as the most dangerous DTO in the country became clear last month, when a local daily, *La Jornada*, used a freedom of information request to obtain a copy of a report by the anti-crime analysis and investigation unit (Cenapi) of the federal attorney general’s office (PGR), which identified JNG as the most powerful DTO currently operating in Mexico.

Cenapi’s report, dated 3 March, is based on the number of states in which “cells” from a single DTO are considered to be active. According to the report, JNG is currently active in nine states, the same as its main rival, LCT; the presence of the Pacífico/Sinaloa DTO has shrunk from 18 states two years ago to six now, while Los Zetas are now present in just five states.

The conclusions of the Cenapi report were immediately questioned by local analysts, who widely consider the Sinaloa DTO to be the most powerful criminal organisation in Mexico. Within days, however, evidence supporting the official view began to materialise. On 19 March a patrol from Jalisco’s joint state and municipal police force, Fuerza Única de Jalisco, came under attack by a group of presumed criminals that fired shots against them as they approached the town of Ocotlán. Five police officers and four presumed criminals were killed.

A second similar attack took place a few days later, on 23 March, in Zacoalco de Torres, when a known JNG leader, Heriberto ‘El Gringo’ Acevedo Cárdenas, was killed along with two other gang members. This incident led Jalisco’s attorney general’s office (FGE) to conclude that the JNG had been behind the Ocotlán attack and that targeting law enforcement officers was a new strategy pursued by the gang.

There was a third attack on a Fuerza Única de Jalisco convoy on 30 March. This attack grabbed media attention because it appeared to target Jalisco’s state security commissioner, Alejandro Solorio Aréchiga, who was in one of the vehicles that formed part of the convoy that was travelling on a highway in the municipality of Zapopan in the outskirts of Guadalajara, Jalisco’s state capital and Mexico’s second largest city.

Solorio managed to survive the attack and the FGE has since announced the arrest of 15 people suspected of involvement in it. But a clear pattern seemed to be emerging, with the FGE linking the attempt on Solorio’s life to Acevedo’s death. Other criminal organisations (notably the highly violent Los Zetas) have in the past targeted and killed state security chiefs, particularly in northern Mexico, as a way of intimidating the security forces and reasserting their control over the territory.

FGE believes attack to be reactionary

In a statement following the 6 April attack on the Fuerza Única de Jalisco convoy travelling on the Guadalajara-Puerto Vallarta highway, the FGE said that: “The FGE has as its line of investigation that today’s events constitute a reactionary measure following the progress and the arrests made in connection to the 30 March attack [against Alejandro Solorio Aréchiga]”. The statement added that four of the 15 people arrested in connection to the 30 March attack had already been delivered to the federal attorney general’s office (PGR).

Then on 6 April, 15 people (five police officers and 10 presumed criminals) were killed in an armed attack on a Fuerza Única de Jalisco convoy that was making its way back to Guadalajara from the Pacific resort of Puerto Vallarta. Among those killed was Miguel Angel Caicedo Vargas, the security chief in Zacoalco de Torres.

According to local press reports, a JNG message was left close to Caicedo’s body. This has not been officially confirmed but the FGE has said that it believes that the 6 April attack was a planned “ambush” and a “reaction” to Acevedo’s killing and the failed attempt on Solorio’s life (*see sidebar*).

After yet another armed attack on Fuerza Única de Jalisco officers was reported in the municipality of San Sebastián del Oeste on 13 April (which left one police officer wounded), the Jalisco state government took over public security in the Guadalajara metropolitan area as a precautionary measure.

Successes elsewhere

As the security situation in Jalisco has been deteriorating, the federal security forces have continued to notch up victories against other criminal organisations elsewhere in the country. On 5 April the security forces reported the arrest of José Sánchez García, described as a regional leader of the Golfo DTO in the northern state of Tamaulipas. More significantly, on 12 April the security forces announced the capture of César Gastélum Serrano, identified as one of the top leaders of the Pacífico/Sinaloa DTO.

Gastélum is one of the most wanted men in both Mexico and the US; and, along with Ismael ‘El Mayo’ Zambada, he was believed to be one of the potential successors of Joaquín ‘El Chapo’ Guzmán as the top leader of the DTO, following the latter’s arrest last year. Gastélum’s arrest during an operation in the Caribbean tourist resort of Cancún, in Quintana Roo state, was highlighted by Monte Alejandro Rubido, Mexico’s national security commissioner. Rubido said that last year Gastélum had been identified by the US as one of the main traffickers of cocaine to and from Central America.

Gastélum was included on the most wanted list compiled by the US and identified “as one of the most prolific cocaine suppliers for Mexico’s Sinaloa Cartel” last year. Meanwhile, in February, the US Treasury included Gastélum and three of his brothers – Alfredo, Jaime, and Guadalupe Candelario - on its ‘drug kingpin list’.

Rubido added that Gastélum has also been identified as one of the main partners of the “the Honduran criminal organisation led by the Valle brothers [Luis Alonso and Miguel Arnulfo, who were detained and extradited to the US last year]. Additionally he has been linked to the murder of various high-ranking police officials in that country, which also led the Honduran authorities to identify him as a target”.

Even before Gastélum’s arrest, Interior Minister Miguel Angel Osorio Chong had boasted that the security forces have now detained 90 of Mexico’s 122 most wanted criminals. Osorio Chong presented this as proof that the federal government’s security strategy was producing results.

However, security experts are divided over whether the ‘decapitation’ of criminal organisations is really effective. While some maintain that capturing drug kingpins does weaken DTOs, others argue that it only leads to power vacuums that often derive in increased violence as rival DTO leaders (or other organisations) fight for control of territory. This may very well explain JNG’s rise in prominence as other organisations have been rocked.

TRACKING TRENDS

MEXICO | Euro Bond issue. On 8 April Mexico's finance ministry (SHCP) announced that the country had issued €1.5bn (US\$1.62bn) worth of 100-year bonds in international bond markets offering a yield of 4.20%.

According to a SHCP statement, this is the first Euro-denominated bond by Mexico for such a long maturity term and it is intended to act as a new point of reference for its foreign-denominated bonds, as well as extend the country's long-term investor base. In this sense, the SHCP said that the issue had been a success as it was oversubscribed (to the tune of €6.34bn) as 238 institutional investors decided to take part.

The SHCP pointed out that the yield, based on a 4.20% annual coupon paid by the bonds, represents "the lowest cost of financing secured by the federal government in the four issues it has carried out for a similar term". It added that, with this issue, the Mexican government has now fully covered its external financial needs from international markets this year.

Separately, on 14 April, Mexico's State-owned oil firm, Pemex, announced that it had successfully placed €2.22bn (US\$2.39bn) worth of bonds in international markets (*see sidebar*).

According to a Pemex statement, the bonds were issued in two tranches – one for €1bn maturing in 2022 and offering a 1.87% coupon; and one for €1.25bn maturing in 2027 and offering a 2.75% coupon.

MEXICO | Telecoms reform suffers a setback. On 14 April Mexico's federal telecommunications institute (IFT) announced the disqualification of the bid submitted by a local firm, Grupo Radio Centro, for the rights to a new national TV and radio frequency.

Along with Cadena Tres, Grupo Radio Centro was one of the winners in the public tender process launched earlier this year for two new TV and radio broadcast licenses as envisioned in the telecommunications reform promoted by the government led by President Enrique Peña Nieto.

However, the IFT has disqualified Grupo Radio Centro's M\$3bn (US\$202.1m) bid and declared the public tender process void after the firm failed to pay a security deposit to secure the concession before the set deadline.

Although the IFT has said that this would affect Cadena Tres's M\$1.8bn (US\$117m) bid, the decision is a major setback for the telecoms reform, which primarily aims to open up the highly concentrated TV broadcast sector to increased competition in order to make it more dynamic and more consumer focused.

The IFT had declared Grupo Radio Centro and Cadena Tres as the winners of the public tender for the two new 20-year national broadcast licenses back in March. The two firms were then given until 10 April either to pay for the concession in full, or put down a M\$415m (US\$27m) deposit by 10 April. That day Grupo Radio Centro issued a statement to the local stock exchange (BMV) in which it announced that it had encountered difficulties in raising the necessary funds for the concession.

The statement stressed that the firm would pay the security deposit by close of business that day, but this apparently never reached the IFT, and after an extraordinary board meeting on 13 April, the IFT publicly announced its decision to disqualify the Grupo Radio Centro bid. The IFT has said that this will not affect Cadena Tres, which has already paid for its concession in full.

The regulator added that its board will now analyse whether to launch another tender process for the remaining national broadcast license, or whether to auction off the various (123 in total) regional licenses on an individual basis. This decision could have significant implications for the success of the telecoms reform.

Local sector analysts point out that while auctioning the individual regional licenses would attract more bidders and potentially introduce more players to the market, it would also preclude the possibility of introducing a fourth broadcaster with a full national presence to provide a counterweight to the two dominant broadcasters (Grupo Televisa and TV Azteca) as was originally intended by the reform.

Pemex bonds

The €2.22bn (US\$2.39bn) worth of bonds placed in international markets by Pemex are the biggest Euro-denominated issues in the firm's history. Pemex said that the issue was three times oversubscribed and that the company plans to use the funds raised to finance its various investment projects.

Martinelli to face the music?

Days before Panama attracted international scrutiny as the host of the 10-11 April Summit of the Americas, it made headlines for other reasons – the decision by the electoral authority (TE) to strip former President Ricardo Martinelli (2009-2014), of the immunity from prosecution he enjoys as president of Cambio Democrático (CD). The move means that Martinelli can now be investigated for alleged corruption that took place in the government social fund (PAN) under his mandate. The investigation, which began last year [WR-14-35], is one of the biggest into official corruption and has left his successor, President Juan Carlos Varela and his El Pueblo Primero (EPP) coalition government an unlikely champion of transparency.

Martinelli, who has been out of the country since late January and is believed to be in Miami, appeared to anticipate the move against him by the three-member TE which was announced on 9 April. The previous day he filed a complaint against the Panamanian State before the Inter-American Court of Human Rights for alleged violation of his judicial rights. On 25 March the local media reported that Martinelli had “provisionally” handed over the CD party leadership to Rómulo Roux, his former foreign minister (2012-2014).

Meanwhile the allegations of corruption against members of Martinelli’s former government continue to pile up. On 9 April a local lawyer, Carlos Herrera Morán, presented a criminal complaint against former economy ministers, Alberto Vallarino (2009-2011) and Frank de Lima (2011-2014), for crimes committed while holding public office. Other former ministers under investigation in relation to the PAN include Lucy Molinar (education); Guillermo Ferrufino (social development); Federico José Suárez (public works); and the former deputy minister of the presidency, María Fábrega. Meanwhile two former PAN directors, Rafael Guardia Jaén (2012-2014) and Giacomo Tamburelli (2009-2012), have also been detained [WR-15-04] (in the Renacer prison, outside Panama City, and under house arrest, respectively). Martinelli’s brother, Mario, a businessman, has also been charged with corruption while an arrest warrant has also been issued for Martinelli’s former private secretary, Adolfo ‘Chichí’ De Obarrio, whose whereabouts are unknown.

These moves by the Varela government against its predecessor are attracting international plaudits. On 11 March in remarks made at the opening in Panama of the international trade fair, Expocomer 2015, José Ugaz, chair of the Berlin-based NGO Transparency International (TI), hailed these efforts and noted that the Martinelli government was “questioned for serious acts of corruption”. More recently, on 8 April, in his address to a forum of civil society organisations, one of the events being held in conjunction with the Summit of the Americas, US President Bill Clinton (1993-2001), congratulated Panama on its recent anti-corruption drive.

Other efforts to strengthen transparency

As well as moving against Martinelli, the Varela government is also seeking to improve transparency vis-à-vis fiscal integrity. The unicameral legislature is currently debating a new bill against money laundering, terrorism financing and the proliferation of weapons of mass destruction. The bill is aimed at getting Panama off the Paris-based Financial Action Task Force (FATF)’s grey list.

The International Monetary Fund (IMF), which sent a delegation to Panama between 3 and 13 March to conduct an annual Article IV consultation, flagged up the need to strengthen financial integrity as the “most immediate priority”.

Growth

The most recent (7 April) forecasts by the United Nations Economic Commission for Latin America & the Caribbean (Eclac) show Panama tops Latin America & Caribbean as regards growth projections for 2015 with forecasts of 6.0% growth. This is well above the 4.0% average for Central America and 1.0% for Latin America.

Electoral concerns build ahead of September

Guatemala's supreme electoral court (TSE) issued a statement this week condemning recent acts of intimidation against it. The TSE's statement, which is believed to be in response to sanctions imposed on the main political parties for early campaigning ahead of general elections in September, follow other incidents sparking fears of political violence ahead of the vote.

Last year, the TSE took the unprecedented step of suspending 11 parties for six months for early campaigning or until all electoral advertisements had been withdrawn [WR-14-30]. The parties sanctioned included President Otto Pérez Molina's Partido Patriota (PP), the main opposition Libertad Democrática Renovada (Líder) led by Manuel Baldizón, as well as the Unidad Nacional de la Esperanza (UNE) of former president Alvaro Colom (2008-2012). Since then, the TSE – which is due to officially call the election next month – has indicated it will not turn a blind eye to such breaches of electoral legislation; on 25 March it handed down the highest fine in its history to the PP (US\$250,000) for early campaign activity – specifically handing out food bags as part of the government food assistance scheme 'Mi Bolsa Segura', which included images of two politicians, one of whom was the PP presidential candidate, former communications minister Alejandro Sinibaldi (2011-2014).

There are also concerns about political violence after Marvin Alexander Samayoa, a Líder mayoral candidate for the municipality of Jalpatagua, in the south-east department of Jutiapa, was shot dead on 2 March in his home, along with his wife. Four days later Guatemala's attorney general (AG) Thelma Aldana, announced that the AG in conjunction with the United Nations (UN)-backed anti-impunity commission in Guatemala (Cicig) would investigate Samayoa's murder. According to figures from the human rights ombudsman (PDH) cited in the national daily *La Hora*, 143 violent incidents took place during the last (2011) electoral cycle, including 37 murders.

With 26 parties competing in this year's elections, local think tanks like Asociación de Investigación y Estudios Sociales (Asies) point out that one anomaly of this electoral cycle compared with previous ones has been the dearth of pre-electoral polls. The think tank attributes this to the fact that recent elections in neighbouring countries have produced results far different from those predicted by the surveys. One example was in Panama where the May 2014 presidential victory by Juan Carlos Varela and his Partido Panameñista (PPA) took everyone by surprise and raised major questions about the credibility of local pollsters there. The most recent (November 2014) poll by Borge y Asociados shows Baldizón as the current frontrunner on 40% of voting intentions, Sinibaldi on 19.7%, and former First Lady Sandra Torres on 10.3%.

TRACKING TRENDS

COSTA RICA | FDI down. Foreign direct investment (FDI) in Costa Rica reached US\$2.1bn in 2014, down 21% on the previous year, according to a recent report by Costa Rica's central bank. A total of 37.9% of FDI came from trade and services; 36.2% from real estate; and 19.9% from manufacturing. The bank's report attributes the decline to the lack of foreign capital flowing into the Costa Rican real estate market, which had received a major boost in investment in 2013. The same report notes that on average between 2008 and 2014, FDI accounted for around 5.1% of Costa Rica's GDP. The announcement regarding the fall in FDI comes amid instability in Costa Rica's crucial science & technology sector after the minister for science, technology & telecommunications (Micitt) Gisella Kopper, and her vice-minister, Allan Ruiz, were forced to resign over a controversy regarding a proposed reform to the country's media law (*see sidebar*).

Media law furore

The resignations of Gisella Kopper and Allan Ruiz on 10 April were in line with a request from President Luis Guillermo Solís following a controversy over a proposed reform to the media law. According to a presidential press release, both Kopper and Ruiz “failed...in supervising the drafting and contents of...a legislative initiative requested by Costa Rica's comptroller general's office to regulate the functioning of radio and television”. The proposed bill had provoked an outcry from local and international media organisations which warned that it constituted a threat to the freedom of expression. Of particular concern was a provision authorising the government to close radio and TV stations for broadcasting “lies” or offending public morality.

Quotes from the Summit of the Americas

“I just want to make very clear that when the United States speaks out on human rights, it’s not because we think we’re perfect, but because we think the idea of not jailing people because they disagree with us is the ideal.”

US President Barack Obama.

“I apologise because President Obama has no responsibility for any of this [past US aggression towards Cuba]. Ten [US] presidents are indebted to us, but not President Obama.”

Cuba’s President Raúl Castro.

“They are two wings of the same bird: Cuba and Puerto Rico.”

Nicaragua’s President Daniel Ortega opens up a new front.

Chile’s Bachelet feeling the strain

The cost of reconstruction in the wake of the serious floods in northern Chile will amount to more than US\$1.5bn, President Michelle Bachelet announced last week. The cost of rebuilding Bachelet’s credibility could be much greater. Bachelet took the extraordinary step on 8 April of revealing at a press conference that she had “no intention of resigning” – a sign of just how damaging the scandal surrounding the manner in which her son Sebastián Dávalos secured a US\$10m loan for Caval, the real estate firm of his wife Natalia Compagnon, has become. Dávalos gave testimony on 13 April in the Caval case; Compagnon, a week earlier.

President Bachelet said the reconstruction cost in northern Chile would be covered by the proceeds of the copper law and an apportionment of this year’s and next year’s budgets. Only one year ago Chile had to find US\$1.2bn to cover the cost of an earthquake in Iquique and a major fire in Valparaíso.

Chileans are accustomed to natural disasters. They are not accustomed to corruption scandals. The Caval case has pummelled Bachelet’s approval rating [WR-15-14] because a member of her family is accused of influence peddling to obtain the loan (the day after Bachelet won the second round of elections on 15 December 2013) from the vice-president of Banco de Chile, Andrónico Luksic – not really a shining example of the message of equal opportunities she purveyed during her election campaign. (Luksic recognised on 10 April that it could be argued that he behaved “imprudently”). It also came fast on the heels of the Penta campaign-financing scandal, albeit this has mainly affected the ultra-conservative opposition Unión Demócrata Independiente (UDI).

Dávalos appeared before prosecutors on 13 April for four hours in O’Higgins region, where Caval used the US\$10m loan to purchase real estate, which it sold on for a significant profit. Compagnon appeared for nine hours on 8 April, insisting that Bachelet knew nothing whatsoever about her company and its dealings. In her first interview about the issue this week, Bachelet also stressed her ignorance. The UDI has attacked Bachelet for her silence over ‘Caval-gate’ but ‘Penta-gate’ has left the party unable to take the moral high ground. Senator Hernán Larraín was confirmed this week as the UDI’s new president for the next 14 months after the previous incumbent, Ernesto Silva, stepped down on 11 March when his position became untenable over ‘Penta-gate’.

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