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CONTENTS

CENTRAL AMERICA & CARIBBEAN DOMINICAN REPUBLIC 3

Crunch time for re-election

ANDEAN COUNTRIES VENEZUELA 4

The 'revolcón' rolls over

VENEZUELA 5

Military officers arrested in alleged coup plot

BOLIVIA-CHILE 6

Hiding to nothing in The Hague

COLOMBIA 7

Pessimism spreads about peace talks

TRACKING TRENDS

BRAZIL & SOUTHERN CONE ARGENTINA 9

Government targets the supreme court

BRAZIL 10

Supreme court releases accused in Petrobras scandal

BRAZIL 12

Dengue epidemic denied despite record deaths

MEXICO & NAFTA MEXICO 13

Jalisco erupts

MEXICO 14

Progress on anti-corruption measures?

POSTSCRIPT 16

El Salvador's electoral uncertainty endures

Quotes of the Week

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Costa Rica's opposition unites to isolate Solís

Costa Rica's President Luis Guillermo Solís cut a lonely figure as he delivered his state-of-the-nation address to the 57-seat unicameral legislative assembly on 1 May. Solís became the first representative of the centre-left Partido Acción Ciudadana (PAC) to don the presidential sash a year earlier, breaking a political duopoly that had held sway over Costa Rican politics since 1930. But with the PAC winning just 13 seats, Solís faced being hamstrung unless his government could display a striking aptitude for consensus-building with the eight opposition parties in the legislative assembly. It has failed in this regard. Six of these parties just forged an alliance to control the legislative leadership positions, marginalising the PAC, and leaving Solís and his government's reform agenda high and dry.

Right at the start of his state-of-the-nation address President Solís called for "renewed cross-party dialogue...to strengthen and modernise our democracy". It was a theme he returned to again and again. "We're leaving behind democratic adolescence and moving towards a mature, full and productive democracy", he argued. "We're advancing from formal democracy to real democracy". This, however, was less a statement of fact than a statement of hope. It is true that Solís and the PAC broke the political stranglehold of the Partido Unidad Social Cristiana (PUSC) and the Partido Liberación Nacional (PLN) at the executive level this time last year, but at the legislative level they remain firmly hostage to the traditional political parties Solís boldly claimed to have displaced.

Solís has been unable to strike up a harmonious relationship with the legislative assembly. He conceded as much by reluctantly relinquishing his minister of the presidency, the Lutheran bishop Melvin Jiménez, a close friend and the go-between with the legislature, last month [WR-15-16]. The new broom is Sergio Iván Alfaro, who unlike Jiménez is a PAC stalwart. This should at least ensure Solís retains the support of the 13 PAC deputies, who have been far from united behind him. Alfaro will have his work cut out horse-trading with an increasingly hostile legislature though.

Six of the eight opposition parties have struck an alliance spearheaded by the PUSC and the PLN, historically inveterate rivals, to control the legislative leadership. The PUSC and the PLN control 26 seats between them and the new alliance, which also comprises the right-wing Movimiento Libertario (ML), Alianza Demócrata Cristiana (ADC), Partido Renovación Costarricense (PRC) and Partido Restauración Nacional (PRN), has a comfortable majority of 34 seats.

Despite its paucity of deputies, the PAC had presided over the legislative leadership for the last year through Henry Mora. PUSC Deputy Rafael Ortiz has now been elected as the new president of the assembly and the rest of the leadership

Cabinet reshuffle

President Luis Guillermo Solís announced three ministerial changes to his cabinet. Fernando Llorca Castro was confirmed as the new health minister, a position he assumed in an interim capacity last February; Mauricio Ventura Aragón takes over from Wilhelm von Breymann, the first openly gay minister in Latin America, at the tourism ministry; and Marcelo Jenkins Coronas comes in for Gisela Kopper, who resigned as the science, telecommunications & technology minister (Micitt) last month.

committee is made up of representatives of the other parties with the PAC all but isolated. The new opposition alliance also controls the most important legislative commissions: finance and public spending, and juridical issues. This all ensures that the opposition will call the tune with the government struggling even to get its priority initiatives introduced to the legislature.

Opposition against flagship reforms

Solís highlighted as priorities for his government during his second year in power introducing equal rights for same-sex couples, in vitro fertilisation (IVF) and new taxes to reduce Costa Rica's yawning fiscal deficit, but the opposition alliance in the legislative assembly opposes each of these measures, which means they have little chance of prospering unless Alfaro displays far greater negotiating skill than Jiménez. A strong Christian ethos permeates many of the parties in the alliance, two of which even contain the word in their names. And the opposition is demanding a reduction in public spending before it is prepared to discuss tax reforms. Solís wants to replace the current 13% sales tax, for instance, with a value added tax (VAT) of 13% in 2016 and 15% in 2017, netting, along with other changes to income tax, an expected ₡600bn (US\$1.12bn), or 2% of GDP.

Solís told legislators during his address that his tax proposals were "not a government demand but a necessity for the country", warning them that "public debt is a time bomb that we must diffuse". The fiscal deficit reached 5.7% of GDP in 2014. Solís said that servicing Costa Rica's debt currently costs US\$1.6bn a year, twice that of 10 years ago, and that unless this is addressed swiftly it will become unsustainable. He said that the fiscal deficit must come down by at least three percentage points over the course of his term, by which point the increased revenue from his proposed tax reforms would cover it.

Solís also took issue with critics who accuse him of failing to constrain public spending. He boasted that he had reduced non-essential spending by ₡700bn (US\$1.3bn) in the ₡8.4trn budget. He said that spending was only up by 9.3% in the budget, its slowest annual increase for six years. He also said he would move to revise pensions and promote bills to limit State indebtedness, while improving transparency and efficiency in the use of public funds.

Solís expressed his satisfaction that through "shrewd economic management, control of public spending, fighting tax evasion and increasing the tax take" the economy was on the path to recovery and that the country was enjoying "better conditions of growth, prosperity and equity". The economy grew by 3.5% in 2014, which Solís described as "insufficient...but satisfactory considering, with pragmatism, the international environment, characterised by scant growth in some of our main trading partners". He stressed, however, that "what has been achieved so far is fragile; a difficult year awaits us".

Despite the upbeat assessment of the current economic scenario, the decision by Solís to postpone a political debate over the fiscal deficit upon coming to power now looks like a serious error of judgment. One year ago he enjoyed significant political capital; the PAC, while it lacked legislative presence, presided over the legislative assembly; and the PLN, the country's main party and largest force in the assembly, had seen its credibility eroded by corruption scandals and incompetence during its long tenure in power, its presidential candidate even pulling out of the second round of elections against Solís.

One year on, Solís has seen his public support fall sharply in the face of a lack of concrete achievements; the PAC has lost control of the legislative assembly; and a revitalised PLN has regrouped, forming the bedrock of the opposition coalition ranged against him, able to accuse the government of being "rudderless" and failing to deliver on promised change.

Crunch time for re-election

Enforced changes
The other officials from the Fuerza Nacional Progresista (FNP) replaced by President Danilo Medina were the heads of the migration agency, the national border council, and the ethics and governmental integrity office. Ricardo Taveras Blanco was replaced by Major General Rubén Paulino Sem, the army chief of staff, at migration; Nolberto Rondón makes way for Donny Santana Cuevas at the border council; and the FNP party president, Marino Vinicio Castillo, was replaced by José Joaquín Bidó Medina, a member of the Partido de la Liberación Dominicana (PLD) political committee, at the ethics office.

Dominicans are no strangers to constitutional reform, especially when it involves amending articles referring to presidential re-election. It came as no great surprise then when 13 senators from the ruling Partido de la Liberación Dominicana (PLD), presented a bill to amend the constitution to allow President Danilo Medina to run for re-election this time next year. But this collides with the aspirations of the PLD's most established *caudillo*, thrice former president Leonel Fernández (1996-2000; 2004-2008; 2008-2012), and has caused a rift within the PLD which the opposition is floundering to exploit.

Fernández modified the constitution as recently as 2010 to permit only non-consecutive re-election. But opinion polls show that President Medina would canter to victory against any opponent in 2016, while Fernández would labour to victory by means of a second round run-off. This prompted the PLD political committee last month to recommend reforming the constitution to allow consecutive re-election, and 13 PLD senators, led by Senator Reinaldo Pared Pérez, the PLD secretary general, presented a bill to do just that last week. The bill went before a special senate commission on 6 May.

Although the bill contains a transitory article that would prevent Medina from seeking a third term in office in the future, 15 PLD senators loyal to Fernández were still unmoved. They want Fernández and Medina, who is keeping his own counsel, to meet to resolve the matter. Four officials from the Fuerza Nacional Progresista (FNP), a PLD ally, voted with their feet and quit the government on 30 April, arguing that the proposed reform requires a popular referendum and that without one it constituted "a serious threat" to the constitution. Medina replaced the four politicians: the most significant change sees Antonio Isa Conde come in for Pelegrín Castillo at the energy & mines ministry (*see sidebar*).

The opposition fiercely criticised the proposed reform. Miguel Vargas, the presidential candidate for the main opposition Partido Revolucionario Dominicano (PRD) called for a great national accord between all those "interested in preserving democratic institutionalism" and combating the "*continuismo*" of the PLD, which he argued had "failed to resolve the social problems that affect the majority of the population during its four terms in office". Opposition infighting has contributed in no small part to the PLD's predominance, however, and there is no sign of that ending.

In a party convention last week, the Partido Revolucionario Moderno (PRM), a PRD splinter, elected the economist and businessman, Luis Abinader, as its presidential candidate over former president, Hipólito Mejía (2000-2004). Abinader triumphed by 70% to 29% against Mejía. Harmony was preserved within the PRM with Mejía pledging his support for Abinader, who had been his running mate in 2012, but wider opposition unity is much more problematic.

Vargas will not even consider a PRD alliance with the PRM unless he is the presidential candidate on a joint ticket. This is unacceptable for the PRM. One of the main reasons it split from the PRD in the first place was because of Vargas's tight rein over the party and his determination to run for president, despite opinion polls suggesting that he has no chance of winning the elections next May.

The 'revolcón' rolls over

The 'Revolcón Económico', a package of new economic measures due to be unveiled by President Nicolás Maduro on Labour Day, failed to materialise. It was "pure fiction, yet another lie, another show", the most prominent leader of the opposition coalition Mesa de la Unidad Democrática (MUD), Henrique Capriles Radonski complained, accusing the government of doing absolutely nothing to address Venezuela's severe economic crisis. The International Monetary Fund (IMF) now expects the country's GDP to contract by 7% year-on-year in 2015.

Capriles slammed the minimum wage increase decreed by President Maduro (a Labour Day tradition) as "disastrous", noting that the staggered 30% increase would mean nothing for workers in the face of the hyperinflation afflicting the country. Ahead of 1 May, Capriles had claimed, citing unofficial sources at the central bank (BCV), that accumulated inflation in the first four months of the year was 50%, which, if sustained at that pace, would mean overall inflation of 200% in 2015. The IMF projects annual average inflation of 98.8% this year (and 83.7% in 2016).

The BCV has not reported inflation data since December, when it ended the year at 68.5%. But the continued long lines outside supermarkets, and the precipitous drop in the black market exchange rate this year, is significant enough of a huge supply and demand imbalance in the domestic market – which the government says is the fault of unscrupulous importers 'gaming' the fixed currency market.

Minimum wage increase

Maduro awarded a 20% immediate increase on 1 May, to be followed by another boost of 10% on 1 July, to take the minimum wage to BF7,422 a month. At the lowest of the country's three official exchange rates (BF6.3/US\$1), that amounts to an impressive US\$1,178, amongst the top in the region. However, at the free-floating new Simadi rate, trading at about BF197/US\$1, it comes to just US\$37 a month. And at the (illegal) black market (or parallel) rate, now at BF278/US\$1, it is just US\$27.

By way of comparison, Cuba's minimum wage is US\$20/month, prompting renewed complaints about the 'Cubanisation of Venezuela' (even as Cuba is preparing to 'de-Cubanise' to an extent with the pending unification of its dual currency system). Meanwhile, in Bolivia, another 'Bolivarian state' run nonetheless with such fiscal probity that it has become something of an IMF-darling, President Evo Morales on 1 May lifted the minimum wage by an impressive 8.5% to BOL1,656 (US\$224) a month. Inflation in Bolivia was reported at 4.8% year-on-year in March, so consumers there will feel a decisively positive impact from the latest wage adjustment, at a time when the natural gas-exporting country is continuing to post sustained real economic growth.

Capriles's electoral strategy

Capriles is banking on winning over Chavista voters to the opposition with an economic message ahead of this year's legislative elections, winning hearts and minds by focusing on everyday concerns. Echoing Capriles, the president of the local market research firm Datanálisis, Luis Vicente León, asserts that the economic crisis is by far the number one problem for Venezuelan voters. Releasing the firm's latest annual consumer behaviour survey ('Tendencias del Consumidor Venezolano 2015'), León noted that whereas just a year ago Venezuelan consumers typically did one big house-

Hearts and minds
Rather than shouting about politics, which is deeply polarising and academic to many, Henrique Capriles believes the way to win hearts and minds is to focus on voters' everyday struggles. The governor of the populous Miranda state (which surrounds Caracas) is concentrating on the issues of inflation, shortages and also the increasingly extreme violent crime in Venezuela.

Mujica on populism

Uruguay's former president José Mujica was also asked while presenting his biography if populism scared him. "If populism means the struggle to lift people's living standards or introduce better equality policies, it is a sin many can have," he replied. "The borderline is when the measures taken [in support of equality] paralyse the economy, because you want to distribute so much that in the end you destroy interest in jobs and investment. If you kill that, then you have nothing to give out. That is what I would call populism," he stated.

hold shop once a week or every 10 days, now they have to do three or four separate shops every week, queuing for four to five hours, just to find the essential products they need. With some of these price-controlled essentials simply not available in state-run supermarkets anymore, they get them instead on the informal market, often paying 10 times the price.

Consumers, León noted, have abandoned all brand loyalty and will take whatever they can get. Moreover Venezuelans, famously avid and happy shoppers, have lost their love of retail, finding it all extremely stressful and upsetting. Capriles hopes to channel all this stress into a massive punishment vote against the Maduro government.

Marea Socialista quits the ruling PSUV

Marea Socialista, an outspoken radical left-wing faction of the ruling Partido Socialista Unido de Venezuela (PSUV), has officially broken away from the PSUV and hopes to field its own candidates in the legislative elections. The group, led by former ministers Jorge Giordani and Héctor Navarro, along with former government spokesperson Nicmer Evans, is heavily critical of President Maduro, accusing him of betraying the legacy of his late predecessor and founder of the Bolivarian Revolution Hugo Chávez (1999-2013), not least by failing to tackle what they allege is deep and festering corruption at the very core of the Revolution.

Marea Socialista describes itself as 'Real Chavismo', and proposes 'A revolution inside the Revolution'. It is unclear whether it intends to launch a signature drive in a bid to register as a standalone political party.

VENEZUELA | POLITICS & SECURITY

Military officers arrested in alleged coup plot

As we went to press, the defence ministry reported that nine members of the Venezuelan armed forces (seven active members of the air force including a general, plus a retired army coronel and a retired national guard captain), had been handed down jail sentences of between five and eight years for an alleged coup plot ('Operation Jericho') involving the use of one or more Tucano air force jets to attack several key government buildings in Caracas.

President Nicolás Maduro announced on TV back on 12 February that the government had foiled the coup plot, which he said had been backed by the US and led in Venezuela by the well-known opposition politician Julio Borges (who is the national coordinator of Henrique Capriles Radonski's moderate centre-left opposition political party, Primero Justicia). Borges denied the allegations and accused the government of inventing distractions at a time of renewed anti-government protests (in which a young student had died at the hands of the security forces). Borges has not been detained in relation to the plot, but charges could yet be levied against him, which might prevent him from taking part in the legislative elections this September.

Uruguay's left-wing former president José Mujica (2010-2015) raised eyebrows a few months ago when he suggested that his main fear about Venezuela was that a coup could arise from military hardline left-wingers. Intriguingly, while presenting his new authorised biography, 'Una oveja negra al poder' ('A black sheep comes to power'), in Buenos Aires this week, Mujica also advised the Maduro government not to detain opposition members. He suggested that there was "an interest" on the part of the Venezuelan opposition in going to jail. "It's a technique, it is the opposition's way of fighting. They induce the government to cross the line...and those fools ('bobos') fall for it. I have told them. It's a mistake," he remarked.

Hiding to nothing in The Hague

Chile and Bolivia went through the first round of presentations before the International Court of Justice (ICJ) at The Hague on 4 and 6 April, respectively. They did little more than repeat what they had already told the court: Chile insisting that the ICJ lacks the competence to hear the case; Bolivia building its case on the many times Chile had shown willingness to negotiate on its demand for an outlet to the Pacific Ocean. A majority of Chileans believe the ICJ will rule in favour of Bolivia; Bolivia has been reminded that even if this were to be the case, there could be no solution without Peru's acquiescence.

Chile's agent before the ICJ, former justice minister Felipe Bulnes (2010-2011), said, "Whether or not Bolivia has the right to sovereign access to the Pacific was resolved in 1904, by the treaty that rules in this matter". Bulnes recalled that Bolivia first sought to have that treaty reviewed in 1920; it took the case to the League of Nations, where its demand was rejected. The Chilean delegation recalled that on four subsequent occasions Bolivia had failed to get the treaty reviewed.

Strictly speaking, Bolivia has not asked the ICJ to review the 1904 treaty. Its demand, submitted to the court in April 2013, was that it should order Chile to negotiate with Bolivia over this matter. Chile's response, in July 2014, was to invite the ICJ to recuse itself on the grounds that the matter was not within its purview.

Bolivia's agent, former president Eduardo Rodríguez Veltzé (2005-2006) and before that chief justice of the supreme court, asked the court to order Chile "to honour its repeated promises to negotiate over [Bolivia's] sovereign access to the sea". Labouring the point, another former president, Carlos Mesa (2002-2003), said, "Bolivia's argument is clear. If it is true that the 1904 treaty had closed the matter, why did Chile establish an uninterrupted line of wanting to negotiate for seven decades?"

Actually, on several occasions Chile did show itself willing to negotiate on an access to the Pacific for Bolivia, but not a *sovereign* access, a marked difference. The closest Chile came to meeting Bolivia's demand was in February 1975, when military rulers, Hugo Bánzer Suárez (1971-1978; 1997-2001) and Augusto Pinochet (1973-1990), signed the Charaña Pact, which led to the resumption of diplomatic relations between the two countries and a Chilean offer, in exchange for a swap of territory, of a corridor to the Pacific along its northern border. In only three years this initiative came to naught.

A survey conducted by the Universidad del Desarrollo, a private university in Chile's second largest city of Concepción, for the Chilean daily, *El Mercurio*, which was released on 26 April, showed 54% of respondents convinced that the ICJ would rule against Chile. A greater majority of respondents (71%) expressed mistrust of the ICJ, and 85% felt that the ICJ's January 2014 ruling granting Peru's demand for 50,000 square kilometres of Pacific waters in a maritime dispute with Chile had encouraged Bolivia to seek redress from the court.

A Bolivian academic long resident in Chile, Catalina Siles Valenzuela (whose ancestry includes three Bolivian presidents), has reminded all those involved that even were the ICJ to rule in Bolivia's favour, and Chile were to be persuaded to cede a corridor along its northern border, this would be impossible to implement - at least not without Peru's acquiescence (*see sidebar*).

The issue of Peru
Under the Lima Treaty (also known as Tacna-Arica Treaty) of 1929, Chile may not cede any territory that once belonged to Peru, which is the case with what used to be Peru's Arica province and is now Chile's Arica & Parinacota region, the northern part of which would provide the 'corridor' that Bolivia is seeking.

Pessimism spreads about peace talks

Even though the Colombian government and the Fuerzas Armadas Revolucionarias de Colombia (Farc) guerrillas agreed to continue the peace negotiations after the 14 April guerrilla attack that claimed the lives of 11 soldiers and - more tellingly - that the government's military delegation, led by the head of the joint chiefs of staff, General Javier Flórez Aristizábal, resumed talks on 'de-escalation' with its Farc counterparts in Havana, the episode has made an adverse impact on public opinion. A majority of Colombians now do not believe that a peace agreement will be signed between the government and the Farc negotiating teams in Cuba.

A survey conducted by Cifras y Conceptos for *Caracol Radio* and *Red + Noticias*, published on 30 April, showed that over the previous month the number of respondents who were optimistic about the outcome of the peace negotiations fell from 46% to 32%, while those who are pessimistic rose from 48% to 56%.

The change of mood is further illustrated by the finding that the proportion of those who believe that the best way to end the conflict is by political negotiation with the Farc has fallen from 43% to 28%. The only counterbalancing development is that there has not been a rise in the number of those who believe that it would be better to defeat the Farc on the battlefield. This fell slightly, from 23% to 22%.

Items that may affect the political outcome of the talks, even if successful, include:

- 55% of respondents are against granting President Juan Manuel Santos special powers to sign a peace agreement.
- 57% say any peace agreement would have to be approved by a referendum.
- 38% want approval to come from a constituent assembly.
- 62% are against allowing the Farc leadership to run for electoral posts.
- 32% favour a ceiling of eight years of imprisonment for guerrillas who choose to demobilise (as was established for Colombia's paramilitary groups).
- 26% favour alternatives to prison for demobilised guerrillas.

In the field the government was able to make some gains last week. On 1 May the commander of the army's Omega force, General Luis Fernando Navarro, announced that one of the Farc's most vital units, the 27th 'front' (F27), which operates in the central department of Meta, has been "irreversibly weakened". The F27, also known as the 'Frente Isaías Pardo Leal', is believed to have been responsible for obtaining funds for the Farc's Eastern Bloc from trafficking in cocaine base and extortion.

Over the past year and a half the strength of the F27 is estimated to have shrunk from 229 guerrillas to fewer than 95: 47 guerrillas have been captured and another 45 chose to demobilise. General Navarro claimed that this prevented the F27 from carrying out plans drawn up by the Farc secretariat, the guerrilla groups' leadership committee, such as fostering "mass mobilisations" by coercing locals into taking part in "peasant marches".

Bilateral ceasefire

Colombia's Left and social organisations comprising the Frente Amplio por la Paz released a report this week calling on both the government and the Fuerzas Armadas Revolucionarias de Colombia (Farc) guerrillas to agree to a bilateral ceasefire. The Farc has long insisted on a bilateral ceasefire but the government has resisted it for fear that the guerrillas will use the respite afforded by it to regroup militarily. Days earlier President Juan Manuel Santos said that a bilateral ceasefire was unlikely to happen during the peace negotiations due to "complex" conditions, but would take effect after the talks conclude.

Rouge Air Canada links Lima to Toronto

On 2 May Air Rouge Canada conducted its first flight from Toronto's Pearson International Airport to the Jorge Chávez International airport in Peru's capital, Lima. Peru's ministry for tourism & foreign trade (Mincetur) said that the new flight route will not only increase connectivity between the two cities but will improve tourism as well as promote greater bilateral trade between Canada and Peru. The 280 passengers were presented with Peruvian gifts made of cotton as well as being treated to a show of Peruvian dancing prior to boarding, organised by the Peruvian foreign trade office (Ocex) in Toronto.

BOLIVIA | Keen interest in potassium plant. On 4 May the Bolivian government revealed that firms from China, Peru and Spain had presented proposals for the construction of an industrial potassium plant in the south-east of the country at an estimated cost of US\$178m. The plant is to be located in the Uyuni salt flats, in the Andean department of Potosí, which also harbours large lithium reserves, and it is expected to produce 700,000 tonnes (t) of potassium salts annually.

The general manager of Bolivia's state-owned firm Corporación Minera de Bolivia (Comibol), Luis Alberto Echazú, said that China's Camc Engineering, Peru's Graña Montero and the Spanish-Bolivian consortium, Tecna Bolivia, had all expressed their interest in the project. Echazú added that the government hopes that the plant will come on stream by mid-2018.

Last April Bolivia's President Evo Morales announced that the country would invest US\$617.9m in the development of the lithium and potassium industries in the Uyuni area. There are also plans to construct an industrial lithium carbonate plant, for which a German and a Swiss company have submitted proposals.

COLOMBIA | Exports fall in first quarter. Colombia's exports in the first quarter of the year totalled US\$9.42bn, 30.2% less than in the same period of 2014, the national statistics agency (Dane) reported on 5 May. According to the Dane report, the quarterly fall in exports came on the back of a significant 22.8% year-on-year fall in overall exports in March from US\$4.4bn to US\$3.4bn.

The report points out that the quarterly fall in exports answered "principally to a 42% reduction in external sales of the fuel and extractive industries sector, 46.1% [fall] in 'other sectors' and 7.3% in manufacturing". This as the fall in international oil prices continues to affect Colombia's hydrocarbons sector. Colombia's hydrocarbon exports account for 67% of all of the country's exports. In fact, Dane's report shows that a fall in shipments to India, the US and China, contributed the most to the fall in overall exports, accounting for 24.9% of the fall. These countries are some of the top consumers of Colombia's hydrocarbon sector output.

Still, the Dane figures show that the US remains the main market for Colombian exports, accounting for 26% of total exports. Behind the US are Panama (8.5%), Spain (4.7%), Ecuador (4.1%) and the Netherlands and Aruba (3.7%).

Bucking the downward trend, exports of farming, food and drink appear to be rising, with shipments from these sectors rising by 12% to US\$623.9m in March, according to Dane.

During a public event on 5 May President Juan Manuel Santos said that through innovation, Colombia could boost its export levels. Speaking at the ceremony in which he awarded the trade, industry & tourism ministry's entrepreneurial innovation award (Innova), Santos said that innovation could allow Colombia to reach its goal of exporting some US\$30bn in goods and services from sectors other than the hydrocarbons and extractive industries by 2018.

The winner of this year's Innova award was Industrias Acuña, for its development of a palm oil extraction plant that uses no technology; that does not leave behind any residue; and reduces water and energy waste.

COLOMBIA | Shoring up investment and trade ties with Portugal. On 5 May the Colombian and Portuguese governments announced that they will continue to increase bilateral trade and investment, which has already increased significantly over the last few years.

The announcement was made by Colombia's foreign minister, María Angela Holguín, and Portugal's deputy prime minister, Paulo Portas, during a visit by the latter to the Colombian Caribbean port city of Cartagena de Indias. The two officials pointed out that over the past four years Portuguese investment in Colombia has increased from €5m (US\$5.6m) to almost €500m (US\$564m) and bilateral trade between the countries has expanded by 120%.

Holguín said that, "what we have been doing is forming a new partnership where they [Portugal] have found a new partner in Latin America and we have found a great new partner in Europe".

Government targets the supreme court

Hostilities have resumed between the Argentine government and the supreme court. The latest dispute is over the role of supreme court president Ricardo Lorenzetti and the health of another judge, Carlos Fayt. Although most justices have been appointed by the ruling Frente para la Victoria (FPV) party, in power since 2003, their decisions in office have not pleased the government, and President Cristina Fernández now sees them as too closely aligned with the opposition.

There is deadlock and mutual suspicion between the government and the supreme court. In recent years the court has ruled in favour of the government in some cases, but against it in others, and President Fernández has reacted with exasperation at this level of independence. Faced by a large number of corruption cases in her last year in office, Fernández tends to see the supreme court as an opposition stronghold. One result is that the court, normally consisting of seven justices, has dwindled to only four. This is because retiring judges (and one who died in office) have not been replaced.

A new member of the court can only be appointed when nominated by the President and approved by a two-third majority of the senate. The last judge to retire was Raúl Zaffaroni – generally seen as a pro-government figure - who stepped down on his 75th birthday from the beginning of this year. A government attempt to appoint Roberto Carlés as his successor failed when it became evident it lacked the necessary level of senate support.

The latest skirmishes began when supreme court sources said Lorenzetti was considering stepping down as president. There were different versions of the story; some said he was tired of government criticism and press campaigns against him, others mentioned “moral fatigue”.

The government had indeed criticised him for bringing forward a vote for the court’s new president for a three-year presidential term (2016-2019). The vote, normally held in October was brought forward to April, and Lorenzetti was confirmed in the job. If Lorenzetti did consider stepping down last week amid the criticism, he appears to have rapidly changed his mind with the full support of the other three justices. The day after the reports that he was considering stepping down were published, the court issued a formal statement saying he would stay on as its president until 2019.

The government appears to believe Lorenzetti’s continuing presidency of the court will make attempts to appoint new justices more amenable to its point of view more difficult. It responded with anger. Cabinet chief Aníbal Fernández suggested Lorenzetti’s re-election had been procedurally fraudulent, saying that Justice Fayt, who is 97, had not actually attended the relevant meeting, contrary to the official minutes. This, said Fernández, was “ideological falseness”.

The leader of the FPV in the chamber of deputies, Juliana Di Tullio, said the government would take “measures” to establish whether Fayt was fit to continue as a serving judge. The suggestion is that the impeachment commission of the lower chamber, presided over by Anabel Fernández Sagasti, a member of La C mpora, the FPV youth grouping, may try to unseat Fayt (*see sidebar*).

Opposition criticism

The government’s move against Justice Carlos Fayt, 97, angered the ever-outspoken opposition deputy Elisa Carri  (Coalici n C vica) who told Radio Mitre “this is inhuman and cruel, to say that Fayt is senile, when there are so many delinquents in the government, I myself have seen a head of cabinet rigid from cocaine use”.

Supreme court releases accused in Petrobras scandal

Oil and gas regulations

With the state-controlled oil company, Petrobras, and the operations of some of the country's largest construction companies all but paralysed amid ongoing corruption investigations, the Brazilian government had no alternative but to seek to amend the framework regulations governing the oil and gas sector. According to mines and energy minister, Eduardo Braga, the government may lift the requirement that Petrobras must be a 30% joint partner in all exploration operations in Brazil's offshore 'pre-salt' oil reserves and the local content rule requiring that a majority of equipment and infrastructure used in the oil and gas sector be manufactured in Brazil.

Brazil's supreme court has issued an order releasing nine directors of construction companies accused of being part of the corruption scheme uncovered at the state-controlled oil company, Petrobras. The release undermined the tactic used by the federal judge leading the case, Sergio Moro, who ordered the detention of suspects in a bid to induce them to give information about the role of politicians in the scheme in exchange for more lenient sentences.

The executives have been kept in a special jail since November last year following arrest orders issued by Moro. The orders were based on the accusations made by Petrobras's former director, Paulo Roberto Costa, and Alberto Yousseff, a black market money dealer, who decided to collaborate with the federal police investigations after their own arrests.

In their testimonies to the police and Moro, Costa and Yousseff accused construction executives of having paid kickbacks to former Petrobras directors - most political appointees - in exchange for overpriced contracts with the company. According to the federal police, a large part of the kickback money was handed to politicians, the majority either allied with or belonging to the ruling Partido dos Trabalhadores (PT) [WR-15-10].

The supreme court verdict was tight, with three judges voting in favour of the release against two opposed to it. Those voting in favour of the release adjudged that the imprisonment of the executives was tantamount to an "anticipation of sentencing" and therefore illegal. The two judges who voted in favour of keeping the accused in prison said that there was sufficient and concrete evidence to hold them until a final sentence was given.

Brazil's attorney general, Rodrigo Janot, who accused 47 politicians of corruption in relation to the case, agrees with the latter view, stating that the imprisonment of the accused executives was justified because they "form part of a criminal group" and, as such, in his view, there is a legal basis for keeping them in prison until their final sentences are handed down by the courts.

Many jurists interviewed by the Brazilian press agree with the majority ruling issued by the supreme court. But there have been claims that the ruling was biased, not least because one of the supreme court judges who voted in favour of the release, Dias Toffoli, is allegedly close to one of the accused benefitting from the decision, the president of construction company OAS, Leo Pinheiro. According to records from Pinheiro's mobile phone, which was seized by the federal police, he went to Toffoli's birthday party in 2012 where they shared "a good whisky." Toffoli told the current affairs magazine *Veja* that although he knows Pinheiro, he is not intimate with the executive.

In a recent article, *Veja* claimed that Pinheiro was ready to talk about his dealings with former Brazilian president Lula da Silva (2003-2011), of the PT, including a claim that OAS had paid for the triplex apartment that Lula owns in the coastal resort of Guarujá in São Paulo state, as well as for the refurbishment of a farmhouse that, while not legally owned by Lula, is referred to in PT circles as "Lula's farm". Toffoli was a lawyer for the PT and was - controversially, due to his relative inexperience - appointed by Lula to the supreme court seat in 2009, after serving as the government's lawyer under Lula for only two years.

The supreme court also issued an order extending the duration of the attorney general's inquiry into the role of politicians in the corruption case at Petrobras. The ruling followed a petition by the judicial ombudsman's office, the Ministério Público Federal (MPF).

Contracts

The construction companies accused of paying kickbacks to guarantee contracts with Brazil's state-controlled oil company Petrobras have contracts worth R\$44.6bn (US\$14.5bn), a study conducted by the newspaper *O Globo* reveals. The study was based on data released by Petrobras, which said in a statement that despite the fact that the accused companies cannot participate in tenders for projects with the company for the time being, the previous contracts remain active and would be paid according to contractual clauses. The amount is twice as large as the losses incurred by the company last year.

The association of federal police chiefs deemed the petition to be an “inappropriate interference” by the MPF. Although legally independent, the judicial ombudsman's office is not free from political interference. However, the office issued a note defending its decision, stating that it is its legal prerogative to define the legality of evidence found in police investigations, which will be used in the attorney general's inquiry.

'Clean Hands'

The supreme court decision to release the executives accused in the Petrobras scandal has put the tactic used by Moro to seek more information on the role of politicians in the case in jeopardy. An admirer of the strategy used by Italian judges during the Mani Pulite ('Clean Hands') judicial investigation - that led to the sentencing of several politicians for corruption in the 1990s - Moro was keeping the construction executives in jail ostensibly to gain more information from the accused in exchange for deals on sentencing.

Since the beginning of 2014, when the federal police investigations over corruption at Petrobras reached his court, Moro had employed the 'tripod strategy' used by Italian judges, consisting of keeping accused in jail, offering lenient sentences in exchange for cooperation and release of findings to the press to gain public support for investigations. Indeed, without keeping both Costa and Yousseff in prison, it is unlikely that Moro will gather the necessary information and public support to increase the scope of the judicial investigations into the political realm.

Although he cannot prosecute politicians (under Brazilian law, serving politicians can only be judged by the supreme court) Moro amassed enough information implicating several politicians to influence the case in the highest court in the country.

On 4 May, Moro started hearing executives of construction companies in his courtroom officially for the first time since the scandal broke last year. The first to give evidence were Dalton dos Santos Avancini and Eduardo Hermelino Leite, former president and vice-president of Camargo Corrêa, respectively. Both men cracked under pressure while in jail and confessed their crimes as well as details of the corruption scheme at Petrobras.

Both Avancini and Leite confirmed that Camargo Corrêa paid regular kickbacks to Petrobras's service and supply directors and also that they were part of a cartel formed by Brazil's largest construction companies to guarantee contracts with Petrobras, including Camargo Corrêa, Odebrecht, UTC, OAS, Andrade Gutierrez, Techint, Promon, Queiroz Galvão and Toyo. Leite went further, saying that the company had paid as much as R\$110m (US\$35.7m) in kickbacks directly to Renato Duque, former services director of Petrobras, who was appointed by the PT, and Costa, Petrobras's former supply director, who was appointed to the post by the PT's ally the Partido Progressista (PP).

Ricardo Pessoa, president of UTC, then gave his testimony. Pessoa, however, chose to keep quiet and refused to answer questions. Pessoa, a personal friend of Lula was said to have been in negotiations to enter a plea bargain with Moro but seemed to have changed his mind after receiving assurances from the justice minister, José Eduardo Cardozo, that he had nothing to fear.

According to reports in the Brazilian press in February, Cardozo expected the police investigations would also implicate important members of the opposition in the bribery scheme and, as such, he expected the opposition would reach a political agreement to narrow the scope of investigations, crucially, putting pressure on the judiciary to be lenient with construction bosses [WR-15-07].

Dengue epidemic denied despite record deaths

There is no dengue epidemic in Brazil, according to the health minister, Arthur Chioro. The Brazilian senate is not so sure. It has summoned Chioro to explain the government's response to the outbreak of the disease that has affected at least 745,900 people in the country in the first three months of 2015, according to official statistics. The figure is over twice as high as the same period last year. In the first three months of the year, 229 people were reported to have died of dengue in Brazil, mostly the elderly, children or people already suffering from chronic diseases. The figure is 45% higher than in the same period in 2014.

Dengue had mostly been contained in the tropical and impoverished north and north-east regions of Brazil. This year, however, the worst affected region has been the wealthy south-east, notably Brazil's industrial hub of São Paulo where 169 people died of dengue between January and April this year. This is the highest number of deaths reported since 1990 when official records began and over three times higher than the number of deaths caused by dengue in the same period last year.

São Paulo has suffered the worst drought in 84 years [WR-15-07] and many people, especially in poorer areas of the state, decided to store water to try and get around recurring supply shortages. With low levels of sanitation, the stagnant water became the perfect breeding ground for *Aedes aegypti*, the mosquito through which dengue spreads.

The situation has also led to other tropical diseases which spread through the mosquito. There have been 2,552 registered cases of chikungunya fever in the three months to April in Brazil, after the first cases of the disease in the Americas were registered last year [WR-14-28]. The Universidade Federal da Bahia has also found the Zika virus in blood samples of patients in the north-eastern state. The samples have been sent to other laboratories for further tests, but if confirmed, this will be the first time the virus has been found in the Americas.

The number of dengue cases is bound to be much higher, since in many cases people with dengue symptoms do not report to hospitals or take tests, not least because many hospitals are charging for the faster test, which gives the result on the same day. The normal test takes 4-5 days to give results, by which time most healthy people potentially affected with dengue are recovering. As such, many see little point in taking a test.

Despite the numbers, the health ministry denies there is a dengue epidemic in the country. This, however, contradicts the World Health Organization's (WHO) parameters, which consider the incidence of 300 cases of the disease to 100,000 inhabitants an epidemic. In Brazil there are 367.8 cases per 100,000 while in São Paulo the figure increases to as much as 911.9/100,000 rate. Apart from São Paulo, seven other Brazilian states recorded averages the WHO would consider

an epidemic: Acre, Bahia, Tocantins, Rio Grande do Norte, Paraná, Mato Grosso do Sul and Goiás. Experts expect figures to worsen, since historically dengue cases peak in mid-April, with statistics pending release.

The senate has summoned Chioro to explain the government's tactic to tackle the spread of dengue in Brazil. Senators want to know why the health ministry has only used R\$2.8m (US\$920,000) of the R\$13.7m (US\$4.5m) approved for the prevention of the disease this year through the Programa Nacional de Vigilância, Prevenção e Controle da Dengue. The ministry, however, claimed in a statement that R\$300m of the R\$1.25bn fund, Piso Fixo de Vigilância em Saúde, have been disbursed this year so far, of which 60% was used specifically to prevent dengue.

Dengue vaccine

The director of Instituto Butantan, Brazil's most respected research and developer of vaccines, Isaias Raw, accused the Brazilian sanitary agency (Anvisa in the Portuguese acronym) of having delayed the production of an effective vaccine for dengue by 18 months. According to Raw, Anvisa has favoured a "rubbish" vaccine currently in production by the laboratory Sanofi Pasteur instead of the one developed by Instituto Butantan in partnership with the US National Institutes of Health (NIH).

Jalisco erupts

A wave of violence across the state of Jalisco on 1 May, including the dramatic shooting down of a helicopter with a rocket-propelled grenade (RPG), is being seen as an important turning point, marking the emergence of the Cartel Jalisco Nueva Generación (CJNG) as one of the fastest growing criminal organisations in Mexico, and adding yet another 'problem state' to the list of security issues facing the federal government of President Enrique Peña Nieto.

What happened in Jalisco last week would be taken by any government as an open threat to its authority. While the timing of events is not entirely clear, it appears that a security operation to capture top leaders of the CJNG was launched, but that the drug trafficking organisation (DTO) had been pre-warned and was able to respond with a confident show of force.

Security analysts estimate that the CJNG deployed as many as 250 armed men across Jalisco, setting up 39 roadblocks (usually with burning vehicles) in a total of 25 municipalities in the state. There have been different reports on the number of casualties but the national security commissioner, Monte Alejandro Rubido, said that seven people had died while a further 19 were wounded in the fighting.

The governor of Jalisco, Aristóteles Sandoval, a member of the ruling Partido Revolucionario Institucional (PRI), said the Cougar-model helicopter had been involved in an attempt to capture a senior cartel boss. Rubido said the RPG that downed the helicopter had been fired from a convoy of vehicles on the Casimiro Castillo – Villa Purificación highway. He added that "We don't have hard evidence" that CJNG leader Nemesio 'El Mencho' Oseguera was in the convoy "but we do know that someone important in the criminal organisation's hierarchy was there". The RPG had hit the helicopter's tail rotor but it was able to make an emergency landing.

Unprecedented first

This was the first time in Mexico's battle against the DTOs that a military aircraft has been shot down. One analyst, Gerardo Rodríguez, an academic from the Universidad de las Américas – Puebla (UDLA-P) took the incident as "confirmation that what we have in the west of Mexico is low intensity warfare running across Jalisco, Michoacán, and Colima".

CJNG, which came into existence as recently as 2010 as a result of various gang realignments, linked to the break-up the Beltrán Leyva cartel, now seems to be Mexico's up and coming DTO, overshadowing well established crime families, such as the Sinaloa cartel and Los Zetas. CJNG has "very significant firepower capabilities", Rubido said.

According to a report by the anti-crime analysis and investigation unit (Cenapi) attached to the federal attorney general's office (PGR) and obtained under freedom of information legislation by the local newspaper *La Jornada* last March, CJNG was rated as the top cartel by geographic area of activity, with a presence in nine states, compared to only six for the Sinaloa cartel and five for Los Zetas.

CJNG's main rival was said to be Los Caballeros Templarios (LCT), with headquarters in Michoacán and a presence in eight other states. Since that

Attacks

In addition to erecting roadblocks in the state of Jalisco, armed members of the Cartel Jalisco Nueva Generación also attacked banks and petrol stations, many of which were set on fire.

Security chiefs bribed by DTOs

“When you grab a cartel member and call the chiefs by phone, they tell you ‘hang on’ and later they say ‘you know what, let him go, he’s one of those people... So, obviously something fishy’s going on,” the anonymous officer in Fuerza Única, Jalisco’s combined security force, told Mexico’s Radio Formula in an interview.

report was drawn up, however, the federal security forces have captured the LCT leader, Servando ‘La Tuta’ Gómez. The LCT has also suffered other serious setbacks as the security forces have exerted sustained and systematic pressure on the DTO.

Government attempts to roll back CJNG face a number of difficulties. The experience in two neighbouring states - Michoacán and Guerrero – is that the DTOs there were able to bribe and threaten both municipal and state-level officials on a massive scale. Federal efforts to re-establish control in both of those states eventually involved the removal of the two governors, who were explicitly or implicitly accused of collusion with the DTOs or weakness in fighting them.

Shifting focus to Jalisco

There is a suggestion that state and federal authorities may have tolerated the CJNG while efforts in neighbouring Michoacán were focused on fighting the LCT. The federal government has given a strong signal that it will now fight back, announcing the appointment of an army officer, General Miguel Gustavo González, to head ‘Operación Jalisco’ against the DTO. Interior Minister Miguel Angel Osorio Chong has said the operation will continue to “break down the structure of organised crime” in the state. But the open question must be how far the local security forces in Jalisco are already compromised and will need to be purged.

An interview with an anonymous officer in Fuerza Única, Jalisco’s combined security force, broadcast by Mexico’s Radio Formula, gave a disturbing answer to that question. The source said senior Fuerza Única officers are in the pay of criminal groups (see sidebar). Cartel members arrested, the officer said, were often routinely released on orders from above, depending on which gang they belonged to.

MEXICO | POLITICS

Progress on anti-corruption measures?

Mexico’s long, and some would say so far ineffectual, attempt to reduce levels of corruption in public life is entering a new phase after approval by the federal congress on 21 April of a new law creating an ‘anti-corruption system’.

There is a ‘glass half empty/glass half full’ way of looking at the endemic problem of corruption in Mexico. On the ‘glass half empty’ side of the equation the statistics remain daunting and there are few signs of progress. According to the ‘¿Como Vamos?’ think tank, corruption reduces Mexican GDP by around two percentage points every year.

A 2013 survey found that one third of the public admits to paying bribes for public services. Mexico is ranked in the lower half (103 out of 175 countries) in the Corruption Perceptions Index (CPI) of the Berlin-based NGO Transparency International. It performs even less well in the World Justice Project’s International Rule of Law index (79 out of 99).

Disappointingly, although taking action against corruption figured prominently in President Enrique Peña Nieto’s 2012 election campaign, legislation on the subject was repeatedly delayed. Worse, late last year Peña Nieto, his wife, Angélica Rivera, and finance minister, Luis Videgaray, were themselves all involved in conflict of interest allegations after it was revealed that they had purchased residential properties on favourable terms from a construction company that had benefited from government contracts.

Corruption

A foreign executive in Mexico City told Britain's *Financial Times* this month in relation to corruption in public life that "things are getting worse. That is the feeling around town in the business community here".

In a smaller, but some would say emblematic incident last month, David Korenfeld, the director of the national water agency (Conagua), resigned after being accused of inappropriately using an agency helicopter for a private family trip (*see sidebar*).

'Glass half full'

On the 'glass half full' side, the allegations against Peña Nieto and his inner circle, which are believed to have been one of the factors behind a slump in his approval ratings, may have acted as renewed incentive to action. The new anti-corruption legislation has been welcomed as a step in the right direction by the local branch of Transparency International, and by another prestigious NGO, the Instituto Mexicano para la Competitividad (Imco).

The new law – which amends the constitution and therefore requires approval by a majority of Mexico's state legislatures – avoids the approach sometimes taken in other countries, of appointing a single and powerful anti-corruption 'czar', which has not always been effective.

Instead, the new law conceives of a system of checks and balances. Each of the three powers of state will have an important role. The executive has the existing ministry of public administration (headed by a presidential appointee) that is required to scrutinise public officials. Congress controls the federal audit office (ASF). There will be an independent anti-corruption prosecutor. And the judiciary gets a new court, the Tribunal Federal de Justicia Administrativa, which will be in charge of handling major corruption cases involving government officials.

In theory at least, these different units will act in a coordinated manner, preventing major cases from 'falling between the cracks'. Other elements of the law include easier confiscation of assets and money from politicians convicted of illicit enrichment (incredible as it may seem, under Mexico's slow-moving court system, many of these assets are simply never recovered). Public officials will also have to make fuller declarations of assets and interests (although these will not be made public). There will also be a new framework for fines and sanctions against businesses that bribe officials.

Incisive or toothless?

These are clearly still early days to assess how effective the new law will be. Opposition politicians were unsuccessful in their attempt during the congressional debate to lift the constitutional clause that gives the President immunity from prosecution on corruption charges. There is also a worry that the various anti-corruption bodies may in practice fail to work in a coordinated manner as intended. Nor does the law focus on the specific – and very topical – issue of the corruption of politicians and public officials by drug trafficking organisations (DTOs).

The optimists admit that reducing corruption will be a long and uphill task, and will involve major cultural change. There are some encouraging signs. Last February Imco and the local branch of Transparency International launched an initiative called 'Three out of Three', encouraging officials and candidates in the 7 June mid-term elections to go beyond existing legal requirements and, on a voluntary basis make public their assets; their interests; and proof of their tax payments.

By the end of April, a total of 100 politicians (including the nine gubernatorial candidates) had responded to the initiative. Admittedly, existing members of the federal congress have been less enthusiastic. By early April, only eight out of 628 federal deputies and senators had taken up the challenge.

“We must be able to talk and negotiate big national accords. We must lose the fear of consensus and start an era...that breaks with the obsolete bipartisan and clientelistic logic of the past”

Costa Rica's President Luis Guillermo Solís.

“To have a constitution dating back to the military dictatorship, we respect, but don't falsify the truth to the rest of the world.”

Bolivia's President Evo Morales responds to Chile's presentation before The Hague (in the hearing over Bolivia's right to sovereign access to the Pacific) in which, Morales said, it claimed to “respect human rights” and have “a dynamic constitution”.

“Venezuela has the misfortune of having oil. It is the country in Latin America that has been ransacked the most. How can a society work when a bottle of water costs more than a litre of fuel?”

Uruguay's former president José Mujica.

POSTSCRIPT

El Salvador's electoral uncertainty endures

El Salvador's President Salvador Sánchez Cerén has expressed his concern about a “power vacuum” after only 60 deputies in the 84-seat legislative assembly took their seats on 1 May. This after the constitutional chamber of the supreme court (CSJ) ordered the supreme electoral tribunal (TSE) to reopen the relevant ballot boxes for the legislative elections in the department of San Salvador, which supplies the remaining 24 deputies. There is an enormous amount at stake. If the recount produces even the smallest change to the TSE's official results from the 1 March elections it could mean the balance of power in the unicameral legislative assembly passes from the opposition to the ruling left-wing Frente Farabundo Martí para la Liberación Nacional (FMLN).

The FMLN appears to have calculated that the likelihood of the TSE altering its results after the recount is slim and that the party, which has a tense relationship with the constitutional court, stands to gain more through possible goodwill from the opposition by condemning the delay. President Sánchez Cerén said the recount could generate “instability”, while the president of the legislative assembly, Sigfrido Reyes, went as far as to describe the court's decision to suspend the swearing-in of the deputies as “a technical coup d'état”.

Sánchez Cerén does not need political “instability”. He has enough concerns about instability on the security front after adopting an aggressive strategy to combat the country's *mara* street gangs [WR-15-17]. The tough-talking former mayor of New York, Rudy Giuliani, in his new capacity as a security consultant, visited El Salvador on 4 May to present his firm's proposals for reducing violence in the country.

Giuliani, who sent a team of experts on 18 January to visit the country for a week after being hired by El Salvador's powerful private business association (Anep), appeared before Anep in a meeting also attended by Sánchez Cerén. Giuliani called for tough law enforcement, long prison sentences and prisons to be controlled by guards rather than gangs, but above all he said there must be political will to eliminate corruption at all levels or his proposals would amount to nothing.

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