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Mexico's elections reaffirm PRI's sway but shake *status quo*

Virtually all of Mexico's political parties were able to dress up the 7 June federal legislative, state and municipal midterm elections as a victory, although the left-wing Partido de la Revolución Democrática (PRD) required most spin to do so. Happiest will be the radical left-wing Movimiento Regeneración Nacional (Morena), which shattered the PRD's hegemony in the Distrito Federal (DF); and President Enrique Peña Nieto as the ruling Partido Revolucionario Institucional (PRI) and its allies retained control of the federal lower chamber of deputies. The PRI, however, suffered some humbling defeats at state level, foremost among which was the governorship of Nuevo León which fell to Jaime 'El Bronco' Rodríguez, the first victory ever by an independent candidate and one of several black eyes sustained by the political establishment.

In the elections to renew the 500-seat federal lower chamber of congress, the PRI in alliance with the Partido Verde Ecologista de México (PVEM) and the Partido Nueva Alianza (Panal) looks set to surpass the 251 seats required for a simple majority, according to preliminary results. This was the most important result of election day for the federal government led by President Peña Nieto, especially given the fear that its mishandling of serious human rights issues in Mexico, and damaging conflict of interest allegations, could exact a toll on the PRI. The opposition will not now be able to stymie any legislative initiatives associated with Peña Nieto's reform agenda – the major reforms have already been approved – in the second half of his *sexenio*.

This offset a slightly disappointing performance at state level for the PRI, which gained control of two but lost three states to finish with five victories in the nine gubernatorial contests; its humbling in the state of Nuevo León the clear nadir. The PRI won in the conflict-torn state of Guerrero, where the PRD's credibility was savaged by the disappearance of 43 trainee students in the (also PRD-controlled) municipality of Iguala last September. But the PRI's own misgovernance in Michoacán meant that this equally troubled state fell to the PRD.

The triumph in Michoacán was the high point for the PRD but there were many lows. The party saw its presence in the federal chamber of deputies slashed almost in half from the 101 seats won in 2012 to between 51 and 60 seats, and years of unassailable pre-eminence in the DF come to an abrupt end. It suffered at the hands of Morena, a radical splinter which was competing for the first time since being formed by the PRD's maverick twice former presidential candidate, Andrés Manuel López Obrador. Morena eroded the PRD edifice in the DF winning more seats in the DF assembly and almost as many of the 16 boroughs (*delegaciones*) as the PRD.

Sonora

The PAN's loss of the north-western state of Sonora owed in no small part to the serious toxic spill from the Buenavista del Cobre copper mine in the state in August 2014, which affected 22,000 people, and thousands of hectares of crops and livestock [WR-14-34]. The PAN state governor, Guillermo Padrés Elías, sought to lay the blame on the federal government for acting too slowly in response to the disaster but it later emerged that Padrés had an unlicensed dam on one of the contaminated local rivers located inside his farm.

By comparison the right-wing opposition Partido Acción Nacional (PAN) did well enough, although this did not stop the faction led by Senator Ernesto Cordero from accusing the party president, Gustavo Madero, of leading the PAN to its worst performance since 1991 and calling for him to do the honourable thing and resign. The PAN looks to have lost a handful of seats in the federal chamber of deputies to finish with between 105 and 116 (it currently has 114) and took 21% of the vote, down on its traditional 25%. But the party started and finished with two of the nine state governorships contested. It retained Baja California Sur (BCS) and gained Querétaro from the PRI, while losing Sonora to the PRI (*see sidebar*). It also came desperately close to pipping the PRI in Colima and San Luis Potosí and was not too far off in Campeche either.

Bucking Bronco

And then there was the dazzling debut of an independent candidate. The story that grabbed the vast majority of column inches devoted to the Mexican elections in the international press was the genuinely 'historic' victory of 'El Bronco' Rodríguez in Nuevo León, Mexico's northern industrial heartland. Independents were able to compete for the first time in these elections under last year's electoral reform. A rough, no-nonsense, self-styled politician of humble background compared by Mexico's former president, Felipe Calderón (2006-2012), to Venezuela's late president Hugo Chávez (1999-2013) during the campaign, Rodríguez won by a convincing margin too. He took 49% of the vote, more than the second and third placed PRI and PAN candidates combined.

The PRI had held Nuevo León since 2003, but Rodríguez a former mayor of García (pop.150,000), turned the campaign into a referendum on the mandate of the outgoing PRI governor, Rodrigo Medina, who he accused of rampant corruption. Rodríguez successfully concealed the fact that he himself only left the PRI, a party he had served for 33 years, in November 2014.

Rodríguez said the result would "wake Mexico up". It will certainly have sent shockwaves through the establishment for the ease of his victory when he was competing on a shoestring, making extensive use of social networks, against the mighty electoral machinery of the PRI and PAN. Both parties will be worried about what independent candidates could do in subsequent elections, possibly even the presidential elections in 2018, although President Peña Nieto professed himself to be happy that independents "are revitalising our democracy...and obliging the political parties themselves to modernise, to be more open and more competitive".

'El Bronco' now enters uncharted waters. He is promising to root out corruption and launch an investigation into Medina and his government when he takes office in October but he will have to deal with a state congress and municipalities controlled by Mexico's traditional parties which could limit the scope of his action. This has spurred him to call for "a citizens' government", prompting more comparisons with Chávez.

Rodríguez gained significant credibility when Fernando Elizondo, who was interim governor of the state for eight months in 2003, abandoned the race to support him. A businessman and good administrator, Elizondo left the PAN in February 2014 professing disillusionment with corruption within the party. He had been running for the small left-wing party, Movimiento Ciudadano (MC).

The international media did not report another shock to the establishment of almost the same magnitude further south. This time the MC was the beneficiary not the provider. The MC candidate, Enrique Alfaro, won the mayoralty of Guadalajara, the capital of the central state of Jalisco and Mexico's second most important city with a GDP of some US\$40bn, behind

Michoacán

The scandals linking the last PRI state government of Michoacán with narco-trafficking opened the door for the PRD in the conflict-torn western state. Silvano Aureoles ended up with some 34% of the vote followed by the PRI candidate, Ascensión 'Chon' Orihuela, and Luisa María 'Cocoa' Calderón, the sister of former president Felipe Calderón, coming a disappointing third for the PAN. Aureoles appealed to all of his defeated rivals and their parties to help him to "close the chapter" on the state's current travails as "the most important thing is to take Michoacán forward".

only Mexico City. Guadalajara has only ever been governed by either the PRI or the PAN. And Alfaro won by a landslide – 51% of the vote to 24% for the incumbent PRI. The MC also won six of the other seven municipalities that comprise the Guadalajara metropolitan area, meaning that it will rule over 4m people, almost the population of the whole state of Nuevo León.

Morena surge

The elections also confirmed the rise of Morena, although this is principally a cause for concern for the PRD. Morena made big inroads into the PRD's support base in the DF. In the last elections in 2012, the PRD in coalition with the Partido del Trabajo (PT) and MC won 31 of the 40 seats through direct elections in the DF legislative assembly to finish with 34 of the 66 total, including those allocated via proportional representation (PR).

Although the PRD still controls the mayoralty of the DF, which was not being contested on 7 June, Morena won more seats in the DF legislative assembly: 18 went to Morena, and 14 to the PRD, all in alliances with the PT and Panal. The PAN took five seats and the PRI-PVEM, reliant on PR to win seats last time, three. The additional 26 seats assigned by PR will be revealed on 13 June, but Morena will finish with most seats overall unless the PRD files a legal challenge.

The PRD had also ruled the roost in the 16 DF boroughs, having held all but two going in to the election. But this time it won just six of the boroughs. The PRI picked up a couple of boroughs to finish with three in total, and the PAN jumped from one to two boroughs, but the massive gains at the PRD's expense were by Morena, which took five boroughs in its very first outing and vied with the PRD for control of its share.

The PRD just clung on to Iztapalapa, the largest borough by population (1.8m) in alliance with the PT, and by a whisker in three of the next four most populous boroughs of Gustavo A Madero (1.2m), Alvaro Obregón (727,000) and Coyoacán (620,000). But Morena took Tlalpan (650,000) and the strategic borough of Cuauhtémoc (532,000), as well as Azcapotzalco, where the PRI campaign coordinator was shot dead in the days before the elections [WR-15-22], among others.

Morena was not all that far from meeting its ambitious target of displacing the PRD as the largest left-wing party in Mexico. It should end up with two-thirds of the number of seats of the PRD in the federal lower chamber, and if it had not been for Silvano Aureoles winning the governorship of Michoacán for the PRD, there would have been nothing else separating them. This was an important victory for the PRD as Aureoles had to fend off strong challenges from both the PRI and the PAN (*see sidebar*).

Largely peaceful with isolated incidents

Given that it was the first time that the recently created national electoral institute (INE) had organised elections in Mexico, it went quite well. Exit polls were published swiftly and final results should follow on 11 June. The elections were for the most part peaceful, although there were some serious incidents.

In Tixtla, a poor municipality in Guerrero state and the location of the Ayotzinapa teachers' college where the 43 students abducted last September were studying, the elections were suspended. Relatives of the students, backed by protesting teachers, burnt ballot papers, ransacked the town hall, and confronted some voters, insisting that the elections should not have been held because there is no rule of law in Mexico. The election will be restaged on 14 October.

In total more than 100 polling stations were set ablaze in Guerrero and Oaxaca states. The Coordinadora Nacional de Trabajadores de la Educación (CNTE), Mexico's second largest teachers' union [WR-15-22] was behind much of this destruction, and staged protest marches on the day. Voters still went to cast their ballots but there was clearly an effect of intimidation that will have deterred some from turning out.

Re-election banned; Farc talks back on track

The peace process has returned to a comparatively even keel after entering tempestuous waters. Significant progress was made in Cuba over the last week, with agreement between the negotiating teams of the government and the Fuerzas Armadas Revolucionarias de Colombia (Farc) to create a truth commission, as soon as a definitive peace accord is signed and the guerrillas have demobilised, grabbing headlines at home and abroad. But there were equally notable developments in Colombia, where congress approved a sweeping political and judicial reform, the standout feature of which is the outlawing of presidential re-election.

Confidence-building measures approved

The Farc has launched a number of attacks, especially on oil infrastructure, since it abandoned its indefinite unilateral ceasefire after several devastating military bombing raids claimed the lives of some 40 guerrillas in late May [WR-15-23]. But this has not stopped important advances being made in the peace process. The government and the Farc announced that the first phase of the pilot plan of demining, since an accord earlier this year designed to de-escalate the conflict, was completed between 20 and 27 May. An army battalion and Farc guerrillas worked together to defuse landmines in four dangerous areas in the municipality of Briceño in the northern department of Antioquia. The head of the government negotiating team, Humberto de la Calle, presented the joint exercise as a confidence-restoring measure.

For its part, the Farc negotiating team read a communiqué from the group's leader, 'Timochenko' (Rodrigo Londoño), describing the recent inclusion of the foreign minister, María Ángela Holguín, in the talks in Cuba as "adding the necessary dose of calmness [through her] clout and seniority". It also stressed that the replacement of the bellicose defence minister, Juan Carlos Pinzón, showed "a greater commitment [by President Juan Manuel Santos] to seek common ground".

The government and Farc negotiating teams announced last week that "an independent and impartial" truth commission will be set up. The main focus of the truth commission will be on clarifying what happened during the armed conflict, hearing from its victims and looking into human rights violations. It will seek to shed light on the human and social impact of the conflict on society; its consequences for politics and democracy in Colombia; and the factors and conditions that led to such a long-running war.

The truth commission will be composed of 11 people, including up to three foreign nationals, who must be well versed in the armed conflict and also renowned for their independence. These 11 people will spend three years drawing up a final report after six months of preparation time. They will be appointed by a committee of nine drawn from "impartial institutions", six of whom will be selected by the government and the Farc, and three from organisations that will be defined later.

Those appointed to the truth commission will define precise parameters for the conflict and the events they intend to clarify. The majority of the hearings they will conduct with victims and perpetrators alike will take place in the departments most affected by the armed conflict. To guarantee the impartiality and objectivity of the final report, the commission will have to "contrast and verify the quality of information it collects".

Truth commission

The truth

commission's work

will be extrajudicial,

meaning all those

who participate will

have special

protection and will

not face the threat of

judicial proceedings

in response to

declarations that they

might make. Those

sitting on the truth

commission will

neither have to

declare in legal cases

nor face any legal

action for the

conclusions they

reach.

Political reform

Under the political reform, from 2018 the candidates that finish second in the presidential, vice-presidential, gubernatorial and mayoral elections will be entitled to assume a seat in the senate, the lower chamber of congress, the departmental assembly or the municipal council respectively.

Both the government and the Farc promised “to contribute fully in the process of clarifying the truth and to recognise their respective responsibilities”. President Santos tweeted that the commission was “an important step”. The left-wing opposition Polo Democrático Alternativo (PDA), which supports the peace process, praised the measure, while the right-wing Centro Democrático (CD) of former president Alvaro Uribe (2002-2010) censured it; CD Senator Alfredo Rangel said it was “absurd” to think that “any witness is going to speak out against the Farc for fear of being murdered.”

First 1,000 days

The CD claimed last week that after 1,000 days of the peace process in Cuba, the Farc had increased attacks, extortion and kidnapping at an “immense” cost for Colombia. At a presentation in Bogotá, the CD claimed that there were 194 attacks on oil infrastructure in 2014, the second full year of the talks, up by 355% compared with 2010 when Uribe left office, while extortion had increased by 262% and attacks on military posts by 111% over the same period. It claimed that the Farc had killed nearly 700 members of the armed forces and 148 civilians over the 1,000 days, and that Cauca, Nariño and Putumayo in the south and Antioquia in the north were the most affected departments.

Presidential re-election banned

The CD also vehemently opposed a political reform approved by congress that, inter alia, outlaws presidential re-election, which was only introduced in Colombia in 2004 allowing Uribe (and then Santos) to serve two terms. Towards the end of his first term, Santos said he would push for a return to the *status quo ante* after his own re-election. Most heads of state in the region past and present moved to amend the constitution have extended their time in power, but Santos bucked the trend, favouring the elimination of presidential re-election from the constitution to restore the balance of powers.

The CD opposed the change, suspecting it was an attempt to make it impossible for Uribe ever to stand again. The interior minister, Juan Fernando Cristo, implied as much when he said of the reform, “We will finish with all-powerful men in Colombia, we will strengthen institutions and avoid the concentration of power in few hands and the temptation to abuse power to retain the position indefinitely”. The constitutional court had managed to thwart Uribe when he sought to amend the constitution again to stand for a third term in 2010, breaking with the tradition of Colombian politics. Cristo said that the only way to change the constitution to allow presidential re-election once again in the future would be via a referendum or a constituent assembly and not be a sitting president or congress.

Significantly, the reform also bars the re-election of other officials such as the prosecutor general and the attorney general. The incumbent prosecutor general, Alejandro Ordóñez, whose current term ends in 2017 having taken office in 2008 after being elected by the senate, has amassed considerable personal power becoming one of the most prominent public figures in Colombia. As a vocal critic of the peace process, he has caused difficulties for Santos; there were also calls for his wings to be clipped after he dismissed the elected mayor of Bogotá, Gustavo Petro, in December 2013 for a comparatively minor offence, triggering large-scale protests and fuelling institutional tension.

The reform also creates a council of judicial government and a national commission of judicial discipline to replace the current superior judicial council, which will cease to exist when the law is promulgated. In theory this change is designed to constrain the self-regulatory powers of the judiciary but in practice it is difficult to see this happening: the new council will be composed of the presidents of the three top courts, one delegate for magistrates and judges, one for judicial employees, and three experts, all elected among themselves; the new commission will be elected by congress – but from a shortlist presented by the council.

González enrages Maduro government

González victim of personal attacks

Whilst in Venezuela, Felipe González, one of Europe's leading left-wing intellectuals, who fought against the dictatorship of Francisco Franco in Spain (1936-1975) and was friendly not only with Cuba's Fidel Castro but also President Maduro's late predecessor Hugo Chávez (1999-2013), was the subject of such vicious slander and personal attacks by the government and state media that the political commentator Francisco Toro branded it "nothing short of obscene". "What is hard is trying to figure out what exactly *Chavismo* thinks it could gain by acting this way," Toro wrote.

That well-known "fascist drug runner", Felipe González, formerly the prime minister of Spain (1982-1996) but now utterly "detested" by his compatriots, "fled Venezuela in suspicious circumstances" just three days into a scheduled week-long visit, according to the Venezuelan government. According to the Venezuelan opposition, González decided to cut short his trip amid intense haranguing by the authorities, including a heavy and intimidating security detail, which strongly curtailed his movements.

As anticipated, González was refused official permission to visit the country's most high-profile political prisoner, Leopoldo López (who has been on hunger strike since 31 May), and was also told he would be barred from attending López's next judicial hearing, scheduled for 10 June. González, a trained lawyer, has volunteered to act as legal counsel to López and his opposition colleague, Antonio Ledezma, the mayor of the Caracas capital district, and came to Venezuela with the intention of meeting both men.

González, earlier this year declared *persona non grata* by Venezuela's national assembly, did meet López's family and legal team and also managed to see Ledezma, who has been moved from jail to house arrest for health reasons. He also met members of the main opposition umbrella group, Mesa de la Unidad Democrática (MUD) and visited the leading Venezuelan journalist Teodoro Petkoff, a personal friend (Petkoff was once a leading member of the Venezuelan Left), to give him the prestigious Spanish Ortega y Gasset prize for journalism, which Petkoff won earlier this year but was refused travel permission to go and collect.

Having failed in his bid to see López, González left the country on 9 June on a Colombian airforce jet dispatched by the Colombian presidency. That provoked even more fury in Caracas, with President Nicolás Maduro rousing himself from his sick bed to interrupt a state TV programme to express his indignation. The Colombian ambassador was duly summoned to provide an explanation. "I hope that the explanations will be sufficient and very clear about this...because I have denounced a Madrid-Bogotá-Miami anti-Venezuela axis," Maduro complained.

The Colombians were having none of it. A short four-point statement issued from the presidential palace (Casa de Nariño) noted that President Juan Manuel Santos had authorised the use of the plane for González's transfer. It rather pointedly made no mention of Venezuela, noting that González, "an unconditional ally of Colombia and its peace process" had met President Santos and the government's chief peace negotiator, Humberto de la Calle, to discuss the peace process and the imminent European Union-Community of Latin American and Caribbean States (EU-Celac) summit in Brussels (11-12 June).

Prior to his departure González said that he would have liked to have found a country in which "there are no good guys and bad guys". He also called on Venezuela's national electoral council (CNE) to set a date for the pending legislative elections, which must be held no later than December and which must be called six months in advance. One of López's demands to give up his hunger strike is that the CNE set a date once and for all. Never before has the government-sympathising CNE left an announcement so late, which is adding to the political instability in the country.

González has said that he may return to Venezuela. Having now witnessed first-hand the situation in the country, he will likely join the small group of former Latin American presidents pushing the region to be more proactive

Polarisation in Ecuador

Chants of 'Fuera Correa' by anti-government protestors in Ecuador were met with retorts of 'Uh, ah, Correa no se va' by his supporters, signalling the increasing political polarisation in the country. This has been intensified by the congressional moves to lift the ban on re-election ahead of the 2017 general election, which may allow President Correa to stand for a fourth consecutive term.

in trying to forge a solution to the extreme political polarisation; which elections alone are unlikely to resolve.

Maduro himself risks becoming isolated if more influential figures come out to press for a resolution to the crisis in the country. At the last minute this week, Maduro put off a scheduled visit to Rome to see Pope Francis, who has also been trying to mediate in Venezuela. Maduro alleged an ear infection, but with a reported 24 opposition members in Venezuela now on hunger strike (with dozens of expatriate Venezuelans in New York and elsewhere reportedly also fasting in support of López et al), it threatened to be a somewhat uncomfortable trip to the Vatican.

Maduro also missed out on the EU-Celac summit in Brussels but nonetheless managed to divide it, with the two sides unable to issue a declaration on the first day due to reported differences over Venezuela. Ecuador's President Rafael Correa, the *pro tempore* head of Celac, slammed Spain for interference and questioned how a lifelong left-winger like González could take the side of "right wing extremists" in Venezuela.

Latin American attendees, including the likes of Brazil's President Dilma Rousseff, wanted the summit declaration to call for the removal of the latest US sanctions on Venezuelan government officials, as part of which the US State Department deemed Venezuela 'a threat to US national security'. The EU refused, hence the first day ended in a cool silence.

TRACKING TRENDS

ECUADOR | GDP forecast slashed for 2015. Admitting that the economy "is decelerating" and "growing at a lower rate than we're used to", Ecuador's central bank (BCE) has slashed its 2015 real annual GDP forecast to just 1.9%, from the original 4.1%, as a near 50% fall in oil export earnings has left the economy stuttering.

With oil-revenue-fuelled public spending rising exponentially under the left-wing government led by President Rafael Correa, to account for a massive 44% of GDP in 2014, the sudden drop-off in income has impacted throughout the economy.

Announcing the revised GDP forecast, which is now based on an average oil price of US\$45 per barrel (/b), from US\$79.7/b previously, Matero Villalba, the BCE's general manager, focused on the positive, noting that inflation in the dollarised economy would be low this year. In 2014 Ecuador registered real GDP growth of 3.8% and inflation of 3.7%.

The government has taken a string of measures in an effort to shore up its financial position, starting with an emergency tax package in November 2014 and followed thereafter by the imposition of global 'balance of payments safeguards' in March. It has also placed US\$3.5bn in high-yielding international bonds since January, strongly suggestive of fiscal strains.

Chinese lending of some US\$4bn, announced to great fanfare by President Correa in January, seems to be trickling through only very slowly, and in such small amounts as to not make much difference (while much of the lending is in any case tied to existing infrastructure projects).

The Quito government's latest measures – new inheritance and capital gains tax measures – have provoked fairly sizeable public protests in recent days and much criticism by the disparate political opposition, which seizes on any and every opportunity to land a blow on Correa and what it describes as his micro-managing and autocratic tendencies.

With Correa out of the country to attend the EU-Celac summit in Brussels, and with tensions rising, Vice-President Jorge Glass called a meeting on 10 June with the cabinet and legislators of the ruling Alianza País (AP) to analyse the situation. The outcome was predictable; the AP accused the opposition of trying to destabilise the country and called for counter demonstrations in Quito and elsewhere, which will not do much to ease tensions.

Vázquez contends with challenges

As he completed his first 100 days in office there can be little question that Uruguay's President Tabaré Vázquez is finding his second term in power much more challenging than his first (2005-2010). It is not yet proving to be as complicated as the second term of Chile's President Michelle Bachelet, who is wrestling with corruption scandals and a corrosive public discontent with the whole political class, but with two strikes over pay in as many days this week Vázquez has not enjoyed a traditional 'honeymoon period' – and it will only get tougher. Perhaps the most difficult challenge will be the internal differences within the ruling left-wing Frente Amplio (FA), which are likely to become more pronounced, especially over public spending cuts as the economy navigates choppy waters.

The more radical wing of the FA was restive from the moment Vázquez returned to power. Already dismayed with the diet of austerity offered by the economy and finance minister, Danilo Astori, radicals are now calling for the resignation of the defence minister, Eleuterio Fernández Huidobro, for comments he made on national army day on 18 May when he claimed that the armed forces had been "stigmatised" by the FA and social and human rights organisations. Senator Constanza Moreira of the FA's Casa Grande party struck back, saying "it is not stigmatisation but memory". The president of the national human rights commission, Mirtha Guianze, meanwhile, argued that those stigmatised are the relatives of the disappeared still trying to find out the final resting place of their lost loved ones.

Fernández Huidobro said he had provided "all the information requested [of him]" by human rights organisations, adding that they were "liars and drunkards" for claiming otherwise. He also laboured the point that the coup in 1973 was "civil-military" and that it is not just the military but "civilians who have much information...even the economic team was made up of civilians".

Fernández Huidobro, a veteran former Tupamaro guerrilla who was imprisoned during the dictatorship (1973-1985), was relaxed about calls for his resignation, arguing that "every minister is as perishable as fresh milk, or the morning papers that last until midday". Vázquez has so far stood by Fernández Huidobro but he ceded some ground to the more radical wing of the FA by creating a 'truth and justice commission' by presidential decree on 25 May to support relatives of the 'disappeared' to discover the final resting place of their loved ones, as well as carrying out new excavations.

The 'truth and justice commission' might not accomplish much of practical value as many of those involved are now dead or very old and intent on taking their secrets to the grave – but it is an important symbolic gesture. Vázquez will be hoping that it will go some way towards appeasing FA radicals disgruntled with public spending cuts and the proposed privatisation of public infrastructure work.

The political opposition was unimpressed with the fact that the commission will only investigate human rights violations committed by the State and not by the Tupamaro guerrillas. Former president Jorge Batlle (2005-2010), of the right-of-centre Partido Colorado (PC), wrote a column on his Facebook page attacking the decree. He maintained that "the more than clear conclusion is that if there had not been a seditious revolutionary movement, there would not have been a military coup" (*see sidebar*).

Battling Batlle

Former president Jorge Batlle was incensed that the truth and justice commission will take as its starting point 13 June 1968, when former president Jorge Pacheco (1967-1972), of the Partido Colorado, declared a state of emergency, suspending constitutional safeguards, with the approval of congress, to restore law and order after violent demonstrations. Batlle accused President Vázquez of trying to rewrite history by conflating the country's civil and military governments. He contended that the Movimiento de Liberación Nacional-Tupamaros (MLN-T) had been mounting violent attacks since 1962, compelling congress to vote to send the military on to the streets and as such were to blame for the subsequent military dictatorship.

Rousseff launches her growth strategy

Since President Dilma Rousseff's reelection in October last year, her new economic team has focused more on regaining credibility than promoting growth. With Brazil now in recession, and the pain of Finance Minister Joaquim Levy's austerity plans just starting to bite, there has been little in the way of good news, economically at least, for the government. On 9 June, however, Rousseff summoned all of her cabinet to promote the Programa de Investimento em Logística (PIL), an ambitious plan to attract almost R\$200bn (US\$65bn) of investment in Brazil's infrastructure. While previous attempts to attract private investment have largely fallen flat due to perceived over-interference by the State, the latest programme has been greeted with cautious optimism by the business community.

Brazil's under-developed railway network is set to benefit the most from the PIL, with R\$86.4bn (US\$27bn) earmarked for the sector. No investment in the railways has taken place for over three years now. In 2012, the government attempted to attract over R\$200bn of private sector investment in infrastructure, but achieved only a fifth of that amount. Bidders appeared for the international airports in Rio de Janeiro and São Paulo, but no one was interested in paying for the concession to operate the 14 railway lines offered or the 160 public ports up for tender. Out of that R\$86.4bn, R\$40bn has been earmarked for the Chinese-backed project to link Brazil's Atlantic coast with the Pacific coast of Peru. Many are sceptical that the project will ever come to fruition.

In an acceptance of the difficulty of attracting bidders for the railways, the state development bank (Bndes) will have a dominant role in the financing of the projects, providing up to 70% of their funding. But elsewhere, the government is keen to minimise the role of Bndes, whose outsized role in recent infrastructure projects has deterred private investment. It is expected to provide only 15% of the funding for the airport concessions, 25% for the ports and 35% for the roads.

The government hopes to attract R\$66.1bn (US\$21bn) to expand and upgrade Brazil's poor road network, with four auctions due to be held this year. Agricultural leaders complain repeatedly that the significant gains the sector has made in increased productivity have been undermined by the cost of transporting grains and other products for export (see sidebar).

Ports are another serious problem. The overwhelming majority of agricultural products head to ports in Brazil's south and south-east for export, due to a lack of decent south-north rail or road links. Ports in that part of the country, such as Santos, are consequently seriously overloaded. The government hopes to attract R\$37.4bn (US\$12bn) to modernise and upgrade its port infrastructure. Perhaps the most attractive offer for investors will be the concessions to operate the airports in Porto Alegre, Salvador, Florianópolis and Fortaleza, for which the government is looking for R\$8.5bn (US\$2.7bn), with auctions due in the first half of next year. Seven smaller regional airports are also looking for investors.

Brazil's economic situation is markedly different from the last time it tried, largely unsuccessfully, to attract a wave of investment in infrastructure via its Empresa de Planejamento e Logística (EPL) in August 2012. The Real is much weaker, and the impact of the Petrobras corruption scandal on many of Brazil's major construction and engineering firms may, counterintuitively, attract more investors. Although those companies implicated in the scandal will be allowed to bid for projects, unless and until they are found guilty, many are expected to act cautiously, freeing up space for Brazil's smaller firms to partner with larger international companies.

Agricultural costs

According to José Mario Schreiner, the president of the federation of agriculture for the centre-west state of Goiás, a farmer in the US receives 95% of the value of the grain he or she cultivates, with 5% spent on logistics; Argentine farmers receive 94%; in Brazil, the figure is just 78%.

Cartes jets off to Europe

As the recording scandal emerged on 5 June, President Cartes left the country on a flight bound for Europe. Cartes was scheduled to make a two-day official visit to Spain on 8 and 9 June ahead of his attendance at the European Union (EU)-Community of Latin American and Caribbean states (Celac) summit due to be held between 10 and 12 June in Brussels. However, Cartes said that he had decided to leave for Europe a few days earlier so as to be able to attend the Union of European Football Associations (Uefa)'s Champions League Final played by Italy's Juventus and Spain's Barcelona in Berlin on 6 June.

Recordings revive 'narcopolitics' issue

The emergence of a recorded conversation between a convicted drug trafficker and three government representatives has revived concerns that local drug-trafficking groups have infiltrated the domestic political system. With President Horacio Cartes away from the country on official business in Europe (*see sidebar*), it has been left to Vice-President Juan Afara to deal with the emerging crisis. Afara has held meetings with some of the government officials implicated in the incident to try to get to the bottom of it. But it appears that the renewed focus on 'narcopolitics' may now start claiming the heads of some officials.

The recording began circulating on Paraguayan media on 5 June. It is said to be of a conversation that two senators (Arnaldo Giuzzio of the opposition Partido Democrático Progresista [PDP] and Arnaldo Wiens of the ruling Asociación Nacional Republicana-Partido Colorado [ANR-PC]) and the head of Paraguay's anti-drugs agency (Senad), Luis Rojas, held with an imprisoned Brazilian drug trafficker, Ezequiel de Souza, back in November 2014. In the recording (only part of which has been made public) De Souza tells the three men about the links that his and other local drug-trafficking organisations (DTOs) have succeeded in forging with the local authorities.

De Souza tells his interlocutors that the DTOs have permeated all levels of government from municipal to national; from law enforcement and the judiciary to the legislative and the even the executive. He provides the names of dozens of prosecutors, politicians and judges (including many of those already implicated in narcopolitics following the murder of Pablo Medina [WR-15-05]), all of which he accuses of forming part of an extensive corruption network. But the most significant revelation made by De Souza was that he himself had paid between US\$30,000 and US\$40,000 a month to members of Senad and the interior ministry in exchange for information. De Souza mentions the deputy interior minister, Javier Ibarra, a former anti-drugs prosecutor, as being his main contact (he also suggests that the interior minister may have also been on the take, although he does not mention Minister Francisco de Vargas by name).

The revelations caused an immediate furore. Rojas, who in the past has warned about the spread of the influence of DTOs on local politicians and back in April said that his agency's investigations into this would provide some "surprises", admitted to being present at the conversation with De Souza. But Rojas said he was not aware that it had been recorded (it is believed the recording was made by Giuzzio, a former anti-corruption prosecutor, who is heard speaking into the device describing the meeting); and that the material should not have been made public. Rojas explained that the meeting took place in his office soon after De Souza's arrest and at the latter's request after he said that he wanted to give evidence to two "respected" legislators. But Rojas warned that not everything that De Souza said may be true given that "at that time De Souza was scared of being transferred [from a Senad jail] to Tacumbú [prison]".

But Rojas's remarks only led to more questions. Why were the allegations kept secret? Had the information been passed to the public ministry? And if so, has there been an investigation? On 7 June the attorney general's office responded to some of these by launching a formal investigation into the allegations. In an 8 June press conference, Giuzzio and Wiens said they had now delivered the full recording to the public ministry. From Europe President Cartes ordered Rojas, Ibarra and all officials implicated to cooperate fully with the probe. Afara summoned Ibarra and Rojas to a private meeting to discuss the issue. Ibarra rejected the accusations, denied knowing De Souza and was adamant that he would not heed the calls for him to resign and face investigation.

Poverty

The poverty statistics cited by President Fernández were disputed. The Universidad Católica Argentina argues the figure is 27.5%, while the trade union movement puts the poverty rate at between 18% and 29%. Even within the government there is disagreement, with the speaker of the lower chamber of congress, Julián Domínguez, claiming earlier this year that the figure was 14.9%. President Fernández was speaking at an event of the United Nations Food and Agriculture Organization (FAO) in Rome, where she was being presented with an award to recognise Argentina's achievement in cutting back the undernourishment of its population to under 5% since 1990.

Second strike of the year yields same result

In the second general strike of 2015, labour unions opposed to the government of President Cristina Fernández succeeded in shutting down transportation services in several of the country's major cities, including Buenos Aires, on 9 June. Three transport unions are protesting against the government's decision to cap salary increases at 27% this year, arguing that the figure does not match the 30% inflation forecast for 2015. They also want the income tax threshold raised to allow the poorest workers more of their take-home pay. Though the strike was successful in paralysing parts of the capital, the government response suggests a breakthrough is unlikely.

Representatives from the Central de Trabajadores de la Argentina (CTA) and the umbrella Confederación General del Trabajo de la República Argentina (CGT) set up road blocks at dawn on the main roads into the capital. Ports were also shut down, rubbish went uncollected and fuel deliveries came to a standstill. All domestic flights were cancelled for the day, as well as some international flights. It was the fifth national strike since 2007. "The strike was convincing," Hugo Moyano, leader of the dissident faction of the CGT said at a press conference. "It will be regarded as a historical milestone." Luis Barrionuevo, leader of the CGT Azul y Blanco, claimed negotiating with the military dictatorship was easier than talking to the present government. Further action was promised if the government failed to heed its demands.

So far, the government has given no impression it was moved by the industrial action. Aníbal Fernández, the cabinet chief, minimised its impact and said the strike "served for nothing". He repeated his longstanding assertion that it was designed to impact the forthcoming elections. "This is a political strike," he said. Candidate lists for the open, mandatory and simultaneous primaries due to be held on 9 August will close in just over a week's time. But striking unionists are looking increasingly bereft of options as the election approaches.

While trade unionists have traditionally been well-represented on party lists, the places on the ticket of the ruling Frente para la Victoria (FPV, Kirchneristas) faction of the Partido Justicialista (PJ, Peronists) will go to pro-government union officials. With the presidential election increasingly a two-horse race between Daniel Scioli, the likely FPV candidate, and the centre-right Mauricio Macri, from Propuesta Republicana (PRO), there is no credible left-wing option for militant unionists.

Sergio Massa, the third-placed candidate, is a dissident Kirchnerista turned opposition leader of the Frente Renovador (FR) faction of the PJ. On 10 June, he reiterated his decision to stay in the race, despite the fact he is haemorrhaging support. A day earlier he lost the backing of Gabriel Katopodis, the mayor of San Martín in the province of Buenos Aires, who reverted back to the FPV. Katopodis was one of the founders of the FR and one of Massa's closest allies, so his decision to jump ship is deeply damaging to Massa's prospects. Over the past few weeks, several high-profile FR supporters have abandoned the party, either reverting to the FPV or joining Macri's PRO.

Poverty in Argentina

Speaking during her visit to Rome over the weekend, President Fernández claimed that the poverty rate in Argentina was below 5%. The figures quoted by Fernández came from the discredited official statistics agency, Indec, from 2013. If true, Argentina has a poverty rate below most Organisation for Economic Co-operation and Development (OECD) members, including Denmark, Norway and the UK (*see sidebar*).

Exporting poverty

During his official visit to Spain, on 8 June, Paraguay's President Horacio Cartes said that due to a lack of economic opportunities Paraguay has been "exporting poverty" to Spain in the form of thousands of migrants that left the South American country in recent years to seek a better life in Europe. Cartes pointed out that some 150,000 low-skilled Paraguayan workers currently live in Spain, while there are 13,000 skilled Spanish workers living in Paraguay. "We export poverty to Spain and receive skills [in return]," Cartes said before stating that his government would change this by improving the quality of education in Paraguay. Cartes's unflattering remarks have earned him criticism among Paraguayans both in Spain and at home.

CHILE | Stagnating in 2015? Chile's economic activity increased by 1.7% in April compared to the same month in 2014, according to the country's economic activity index (Imacec), a GDP proxy. This figure is almost identical to the 1.6% increase in activity recorded by the country's central bank (BCCH) in March and well below the expectations of local economists, who had forecast it to come in at between 2.2% and 2.6%. According to the BCCH, the April Imacec result came on the back of an increase in activity in the services sector; but which was largely offset by a fall in wholesale trade.

Chile posted real GDP growth of just 1.9% last year, its lowest economic growth rate in the past five years. Since then the government led by President Michelle Bachelet has said that it expects an economic recovery this year. But while the April Imacec figures show that economic activity is recovering, this is proving to be much lower than anticipated. In fact, the weaker-than-expected economic figures prompted the BCCH to revise down its economic growth forecast for the year by a quarter of a point to 2.25%-3.25%. Analysts have attributed the weakness in economic activity not to any fundamental economic factors but to the lack of confidence produced by the credibility crisis derived from the illegal campaign financing and other corruption scandals that have recently rocked Chile's political establishment.

Separately, and on a more positive note for the Bachelet government, on 8 June Chile's internal revenue service (SII) and the national treasury reported that so far this year there has been an 8.2% increase in the tax take to US\$12.97bn, compared to US\$11.98bn reported at this stage last year. The boost in the tax take is principally explained by the one-point increase on the first category corporate tax rate (from 20% to 21%), introduced as part of the tax reform promoted by the government and approved by the national congress last year. In fact, the lion's share of the tax take came from the first category corporate tax (applicable to large major mining firms as well as other large firms), which accounted for US\$10.678bn of the total take. There was also an increase in the tax base with 3.22m taxpayers being registered this year, a 5.5% increase compared to last year – another product of the tax reform.

PARAGUAY | Unprecedented fall in foreign trade. On 8 June Paraguay's central bank (BCP) published its latest trade figures, which show that the country's trade surplus fell by a record 51.9% year-on-year in May. The result derives from a sharp decline in the value of Paraguay's exports and imports from the fall in international prices of its commodity exports (primarily soya and beef). According to the BCP's figures, total exports in the first five months of the year amounted to US\$4.94bn, 19.1% less than in the same period last year, while imports were equal to US\$4.27bn, 9.5% less than last year. These results leave Paraguay with a trade surplus of US\$662.9m, compared to US\$1.38bn last year.

The BCP report points out that the fall in exports was driven by a 34.6% fall in the value of soya exports, Paraguay's main export. Meanwhile beef exports, Paraguay's second main export, fell by 4.8% year-on-year in the first five months of the year. According to the BCP, this was due to a fall in demand from Russia, currently the main consumer of Paraguayan beef, which imported 30.2% less beef from Paraguay this year compared to last year. On the positive side, exports of non-agricultural industrial goods increased by 5.5% to US\$299.8m.

The fall in the trade surplus once again highlights Paraguay's overdependence on the agricultural sector and why President Horacio Cartes has been keen to promote the diversification of the economy by seeking to attract investment into the country during a two-day official visit to Spain on 8 and 9 June.

URUGUAY | Rating raise from S&P. On 5 June the ratings agency, Standard and Poor's (S&P), raised its rating of Uruguayan sovereign debt from 'BBB-' in the long term ('A-3' in the short term) to 'BBB' ('A-2' in the short term) with a stable outlook. This decision, according to S&P's report, is the result of Uruguay's "increasing resilience to negative external trends in the region while maintaining economic stability and good access to international financial markets".

The report adds that S&P expects "continuity in key economic policies" and a timely and adequate policy response to potential adverse external development under the new government led by President Tabaré Vázquez.

Pérez Molina increasingly isolated

Gustavo Martínez, Guatemala's secretary general of the presidency, announced last week that he was stepping down over corruption allegations. Martínez is one of President Otto Pérez Molina's closest aides (and his daughter's fiancé). His departure follows that of a string of other members of Pérez Molina's inner circle forced out last month over unrelated scandals. These include Martínez's predecessor Juan de Dios Rodríguez, the former head of the social security institute (IGSS), Vice-President Roxana Baldetti who quit last month over the scandal at the national tax agency (SAT) [WR-15-19] and Interior Minister Mauricio López Bonilla. While this all leaves Pérez Molina looking more and more isolated, the main opposition Libertad Democrática Renovada (Líder) has yet to capitalise ahead of the 6 September general elections as it has been on the defensive over alleged corruption itself.

Martínez was not linked to either of the two major scandals to have rocked the Partido Patriota (PP) government over the last two months – the IGSS scandal or the discovery of a corruption ring in the SAT allegedly headed by Baldetti's former private secretary Juan Carlos Monzón Rojas who, more than a month since the scandal broke, has yet to be picked up by the authorities. Instead Martínez was forced out after the media began reporting that he acquired property beyond his means – the full details of which have yet to emerge – and raised questions over his accumulation of wealth.

Most of the public outrage is channelled by civil society groups, which have sprung up in the wake of the scandals, and are holding regular protests calling for President Pérez Molina to step down. Líder has been unable to turn this to its advantage, not least given that its anti-corruption rhetoric rings a bit hollow. On 31 May, Líder's secretary general Roberto Villate told reporters that the party was returning funds worth some Q\$6.9m (US\$235,000) to pharmaceutical companies in order to avoid accusations of corruption – including Q\$1.8m to the company, Medicina Corporativa, which has alleged links to another company, Pisa, the beneficiary of the contract awarded by the IGSS in the controversial bidding procedure [WR-15-21].

While the issue of public corruption is likely to dominate the electoral campaign, it remains to be seen how much it will really impact on the electorate, given that one of the figures most associated with it – the populist former president, Alfonso Portillo (Frente Republicano Guatemalteco [FRG], 2000-2004), who has announced plans to run for the 158-member unicameral congress – remains hugely popular. Portillo, who is constitutionally barred from seeking presidential re-election, returned to the country in February 2015 after serving a 60-month prison sentence in the US for laundering US\$2.5m from the Taiwanese government through US banks. On 30 May Portillo announced that he would run for the opposition Todos, which was set up in 2012 by dissidents from the Unidad Nacional de la Esperanza (UNE), the party of former president Alvaro Colom (2008-2012). The first pre-electoral survey by pollster Prodatos, which was published by the leading daily *Prensa Libre* on 4 May, gave Portillo a remarkable 75% approval rating.

Líder unveils manifesto

With the PP yet to reveal its manifesto ahead of the 6 September contest, on 1 June Baldizón and his running mate, Edgar Barquín, a former president of Guatemala's central bank (2010-2014), presented Líder's plan of governance for 2016-2020. This is not yet available on Líder's website, but the local press is reporting that Baldizón is proposing a "frontal assault on corruption" – no doubt in response to the current public outrage over the scandals afflicting the PP government. Baldizón would reportedly seek greater governmental transparency by encouraging complaints against corrupt officials and by strengthening both the public auditor's office and the public information access law. Baldizón is also proposing modernising the Guatemalan State by modifying legislation regulating elections and political parties, the civil service law and legislation regarding public contracts.

Portillo

In 1982 former President Alfonso Portillo (2000-2004) shot dead two students in the Mexican city of Chilpancingo, Guerrero state. While he claimed it was an act of self-defence, his opponents said that the students were unarmed and the incident took place in a bar brawl. Portillo was never prosecuted for the incident, and the case was declared inactive in 1995 by a Mexican judge.

Moody's factors in political crisis

The international ratings agency, Moody's, has revised down its outlook on Guatemala's government bond ratings to negative from stable, citing as grounds for its decision, "an ongoing political crisis that has rapidly escalated, triggered by corruption scandals that implicate high ranking government officials and that has led to widespread street demonstrations". It added: "The probability that domestic political events could negatively affect macroeconomic stability and government financial strength remains low, but has risen as a result of the heightened uncertainty surrounding the outcome of the political crisis". The Moody's statement notes that the "country ceilings remain unchanged. The long-term local currency bond and deposit ceilings are Baa1, the long-term foreign currency deposit ceiling is Ba2, and the long-term foreign currency bond ceiling is Baa3".

As regards Baldizón's economic plan, the local media is reporting that he is seeking to boost economic growth from 4% in 2014 to 6% (by an unspecified date) through encouraging exports, boosting foreign direct investment (FDI) – which reached a record US\$1.4bn in 2014, up 8% on the previous year – and promoting tourism, especially in the Maya Biosphere Reserve.

One of the main planks of Líder's economic plan however has proven highly controversial – namely the investment and employment law (known locally as the 'Baldizón Law'). In March 2015 Baldizón presented congress with the legislative initiative which would grant tax breaks to local companies as part of efforts to boost employment. However, the initiative prompted an outspoken response from the SAT as well as local think tanks like the Central American institute for fiscal studies (Icefi) who warn that it would be a major step back for the country which already falls short of meeting the 12% minimum target established in the 1996 peace accords ending the 36-year civil war.

At the start of this year, Pérez Molina put the tax take for 2014 at an estimated Q\$48.97bn (US\$6.4bn). While this was up by 5.7% on 2013, it still represented just 10.8% of GDP. On 21 April Icefi, together with the NGO Fundación Friedrich Ebert (FES), held an event in which they outlined objections to the proposed law which would extend tax exemptions currently applied to exports of free zone and textiles from the *maquila* industry to goods from those sectors produced for the local market. The Icefi/FES statement warns that, if implemented, the new law would translate into losses of Q\$1.0bn (US\$247m) annually to State coffers.

NICARAGUA | CANAL

Long awaited 'Gran Canal' study presented

At the start of the month, Telémaco Talavera, the spokesperson for the 16-member governmental committee for Nicaragua's 'Gran Canal', announced that the UK-based consultancy firm Environmental Resources Management Ltd (ERM) had presented its environmental and social impact study (EIA) for the US\$50bn project – the build-operate contract which the government led by President Daniel Ortega awarded in June 2013 to Hong Kong Nicaragua Canal Development Company (HKND).

Talavera's announcement has done little to allay the considerable concerns regarding the transparency of the project, work on which began in December 2014, despite the fact that the EIA was not presented beforehand. However, Talavera has said that the ERM study will be analysed this month by a committee of experts headed up by the environment ministry (Marena) before being voted upon by a governmental committee in July.

The announcement regarding the handover of the EIA, whose results have yet to be made public, provoked an outspoken response from prominent environmental organisation, Humboldt. One of various civil society groups to denounce "multiple human rights violations" caused by the construction of the Interoceanic Canal at a hearing held in March at the Washington-based Inter-American Commission on Human Rights (IACHR) [WR-15-14], Humboldt is demanding that ERM's findings be made public.

The lack of transparency over the EIA is not Humboldt's only current gripe with the Frente Sandinista de Liberación Nacional (FSLN) government. It is also concerned over recent exploration contracts awarded to oil companies in Nicaraguan waters. In a press release issued on 4 June Humboldt flags up as cause for concern four six-year licenses covering 16,000km² to Norwegian state-controlled oil firm Statoil in the largely unexplored Sandino basin of the Nicaraguan Pacific. Statoil will operate the licenses with 85% equity, partnering with the Empresa Nicaragüense de Petróleo (Petronic), which will hold the remaining 15%.

The announcement of the contract has also provoked a response from neighbouring Costa Rica which has a territorial dispute with Nicaragua before the International Court of Justice (ICJ) at The Hague. On 1 June Costa Rica's foreign minister, Manuel González, said that the government led by

El Salvador tax accord

On 8 June the government of El Salvador announced that it had signed the Organisation for Economic Co-operation and Development (OECD)'s Convention on Mutual Assistance in Tax Matters. An official statement explained that the Convention, which is designed to facilitate the exchange of tax information with a broad network of countries so as to combat tax fraud and offshore tax evasion, was undersigned by the government led by President Salvador Sánchez Cerén on 1 June, thanks to the implementation of the tax reforms it introduced last year. El Salvador has become the 86th country to sign up to the Convention but only the third Central American country to do so after Costa Rica and Guatemala.

President Luis Guillermo Solís was preparing a letter for Statoil, warning of the maritime territorial dispute. González said that the "informative note" would let Statoil know that some of the blocs being offered by Nicaragua may lie within Costa Rican waters and that any exploration or development agreement could be affected by the case.

Costa Rican complaints

Costa Rica filed a complaint before the ICJ in February 2014 in response to earlier oil exploration contracts awarded by the Nicaraguan government. This complaint, for which a ruling is pending, is in addition to another case (also awaiting a ruling) filed by Costa Rica in 2010 over the San Juan River area, which divides the two countries. In its most recent 2014 petition Costa Rica asked the ICJ to determine "the precise geographical co-ordinates of the single maritime boundaries in the Caribbean Sea and in the Pacific Ocean", noting that "the coasts of the two States generate overlapping entitlements to maritime areas in both the Caribbean Sea and the Pacific Ocean" and that "there has been no maritime delimitation between the two States [in either body of water]". It said that diplomatic negotiations had "failed to establish by agreement the maritime boundaries between Costa Rica and Nicaragua in the Pacific Ocean and the Caribbean Sea", referring to failed negotiations between 2002 and 2005, and again in 2013.

TRACKING TRENDS

CUBA | Agreement with Paris Club. On 8 June diplomats from member countries of the Paris Club announced that they had reached an agreement with Cuba over the size of its debt to its Paris Club creditors since the Caribbean nation decided to suspend the payments on its debt in 1986. Reaching an agreement with the Paris Club is a significant and necessary first step to allow Cuba to renegotiate its foreign debt, which in turn could lead to the country regaining access to international capital markets.

According to diplomats who spoke to the international media on condition of anonymity, the two sides had agreed to set the value of Cuba's debt owed to the 16 Paris Club members at US\$15bn. "The final sum of US\$15bn was agreed by both sides. This is a great first step and the creditors will now meet to set the guidelines for formal talks," one of the diplomats said. The figure was set to include principal payments, service charges, interest and penalties. Cuba began holding talks with the Paris Club in 2000 and last year it agreed to move towards establishing negotiations to settle its debt with France, its largest creditor in the Paris Club.

The diplomats added that the agreement represented another sign that the Cuban government led by President Raúl Castro is interested in fully reintegrating into the global economy and respecting the rules of international finance. The two parties are now poised to take the next steps towards settling Cuba's debt, which consists in establishing the terms of the payment.

DOMINICAN REPUBLIC | Falling unemployment. The government led by President Danilo Medina announced on 4 June that so far this year 28,650 formal jobs have been created in the Dominican Republic. According to the government this brings the total number of jobs created since Medina assumed office in August 2012 to 327,000, or 82% of the 400,000 new jobs that he hoped to create before the end of his four-year term in 2016.

The figures represent a significant political boon for Medina. They suggest that it is likely that his ambitious job creation target could be reached within the next 11 months leading up to the May 2016 general elections, in which Medina looks poised to seek re-election [WR-15-22].

The job creation figures were presented by Medina's labour minister, Maritza Hernández, during the 104th Session of the International Labour Organization (ILO)'s International Labour Conference currently being held until 13 June in Geneva, Switzerland. Hernández highlighted that the rapid pace of job creation under the Medina government's national employment development plan has led the Dominican Republic's employment rate to fall from 7.01% in 2012 to 5.97% last year as formal employment increased by 5.95% in 2012-2013 and by 5.62% in 2013-2014.

According to Hernández, the main sectors which have created more jobs are trade (34.04%); industry (33.26%); and services (23.42%). In addition, 120,819 of the jobs (36.86%) were created by micro, small and medium enterprises (SMEs). Hernández said this was achieved thanks to the Medina government's policies of providing more credit for SMEs and of ensuring that the Dominican State purchases up to 20% of the production of registered SMEs.

POSTSCRIPT

Quotes of the week

“The governor cannot be Santa Claus and Superman, I need you to help me do the work.”

Jaime ‘El Bronco’ Rodríguez Calderón, the first independent candidate to become a Mexican governor appeals to the public to assist him.

“It’s very important news for the country and victims, because this commission will hand over the right to truth and will clarify responsibility for the armed conflict. It is a tool that will be definitive for national reconciliation.”

Colombian Senator Iván Cepeda, of the left-wing opposition Polo Democrático Alternativo, on the agreement to form a truth commission.

“They say that I have Stockholm syndrome... everyone is a psychologist in this country.”

Uruguay’s Defence Minister Eleuterio Fernández Huidobro, once an imprisoned guerrilla, responds to criticism of his ‘pro-military’ remarks.

Hernández distances himself from Honduran corruption scandal

Honduran President Juan Orlando Hernández appears to have learnt from some of the mistakes made by his Guatemalan peer Otto Pérez Molina, who has been on the back foot ever since a wave of corruption scandals began to crash over state institutions and ensnare government officials. After details of the massive fraud at the Honduran social security institute (IHSS) came to light with the release of a report by a multi-party congressional commission on 4 June, numerous torch-lit protest marches took place in cities across Honduras over the weekend. Hernández claimed to be as indignant as the protesters and ordered a “crusade” against corruption to punish those responsible.

The figures are not entirely clear but the congressional report found that at least L2.5bn (US\$114m) had been embezzled from the IHSS and that a large proportion of this made its way to the ruling Partido Nacional (PN), including some L3m (US\$148,000), via cheques from businesses set up by former IHSS officials receiving overpayments from the institute, to fund the 2013 election campaign which brought Hernández to power. Hernández conceded that such nefarious activities took place but he abnegated personal responsibility, arguing that this was under the previous PN government and that his government was taking unprecedented steps to root out corruption, signing an accord last October with the NGO Transparency International aimed at institutionalising transparency, accountability and fighting corruption [WR-14-41].

About 8,000 protesters marched to the local offices of the United Nations in Tegucigalpa on 5 June calling for Hernández to resign and for the UN to set up an anti-corruption commission in Honduras as in Guatemala. The Partido Anticorrupción (PAC), led by Salvador Nasralla, and supporters of the left-wing Frente Nacional de Resistencia Popular (FNRP), of former president Manuel Zelaya (2006-2009), were behind many of the geographically dispersed protests at the weekend, denouncing the lack of medication and funding of hospitals because of the systematic ‘sacking’ of the IHSS.

Hernández has moved to politicise the protests. The PN organised a march attended by several thousand protesters in Tegucigalpa on 7 June in support of Hernández. Gladys Aurora López, president of the PN central committee and vice-president of the national assembly, said that “we are demanding on the streets that there be no more impunity and that justice reaches everyone”.

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