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'Zannini effect' causes blue dollar to spike

To no-one's surprise, Florencio Randazzo, Argentina's interior and transport minister, dropped his bid for the presidency on 19 June. Randazzo's decision, taken after a long meeting with President Cristina Fernández, means that the ruling Frente para la Victoria (FpV) can rally around a single candidate ahead of the October election: Daniel Scioli, the current governor of Buenos Aires province. Randazzo's withdrawal was all but confirmed when Carlos Zannini, one of Fernández's closest allies, accepted Scioli's invitation to be his running mate. With the ultra-kirchnerista Zannini on the ticket, the price of the blue dollar soared as analysts anticipated a continuation of the government's currency control policies in the event of a Scioli victory.

Randazzo was clearly peeved by his sidelining. Though he has resisted the temptation to resign his portfolio, which only expires on 10 December this year, Randazzo rejected Fernández's proposition that he run for the governorship of Buenos Aires province instead of running for president. While Fernández may have considered Randazzo a closer ideological soulmate than Scioli, the national opinion polls showed that the current BA governor was the most popular candidate the FpV could pick.

Fernández and Scioli have rarely been close, but the decision to pick Zannini, who served her late husband and predecessor, Néstor Kirchner (2003-2007), from the time that he was governor of Santa Cruz, means that the political project the couple embody will endure should Scioli be victorious. Opinion polls put Scioli narrowly ahead of Mauricio Macri, the candidate from the opposition, centre-right Propuesta Republicana (PRO). Sergio Massa, a dissident kirchnerista from the Frente Renovador, finds himself in an increasingly distant third place.

Over the weekend, a report in *Ambito Financiero* claimed that Scioli had held a meeting with Fernández and Zannini to determine his agenda should he prove victorious. Scioli dismissed such claims and argued that he was his own man. "Cristina never imposed anything on me," he said in an interview on 24 June. "I always exercised and I will continue to exercise the full powers of governor and I will do the same as the president." A few days earlier, however, he insisted on the flagship kirchnerista TV programme *678* that he was "unbreakably loyal" to Néstor and Cristina Kirchner. It was the first time in the programme's six-year history that he had been invited to take part, despite his position as governor of Buenos Aires.

In the days following Scioli's announcement of his running mate, Argentina's bond prices fell and the 'blue dollar' started to climb, after months of holding relatively steady at around Arg\$12.60 to the dollar (the official rate is just over Arg\$9). On 23 June it started to soar, rising 30 cents in the course of the day; by 24 June it was priced at Arg\$13.65, reaching its highest level for five months,

New army chief
The new commander of Argentina's army, General Ricardo Luis Cundom, has a background in army aviation and served as a helicopter pilot during the 1982 Falklands War. He is regarded as a career officer without known political affiliations.

despite increased police raids on illegal exchange houses. Fernández has banned most foreign-exchange transactions since her 2011 re-election to curb capital outflows, causing the illegal market to flourish.

While it is true that the amount of pesos in circulation have gone up recently, owing to salary increases, mid-year bonuses and more money-printing from the government, analysts believe that political uncertainty is the main factor driving up the black market rate. "The political climate is making people nervous and driving them to the dollar," Gustavo Quintana, a trader at Rabello & Co, told *Bloomberg*. "The controls make it worse. They exacerbate the move."

Daniel Kerner, from Eurasia Group, wrote in a research note that Scioli's "more moderate views on economic policy" were increasingly undermined by the influence of ultra-kirchneristas, such as the youth group, La Cámpora, led by Cristina's son, Máximo. In an interview on 23 June, Scioli praised the organization. The economist Dante Sica, in an interview with *El Cronista*, was more specific. "I have the feeling that it is the Zannini effect," he said.

Macri picks his mate

Days after Scioli went public with his choice, his main rival for the presidency, Mauricio Macri, announced his vice-presidential candidate: Gabriela Michetti. Picking the PRO senator solves a number of problems for Macri. Earlier this year, Michetti challenged Macri's cabinet chief, Horacio Rodríguez Larreta, for the PRO nomination to run for the mayoralty of Buenos Aires. Michetti did not enjoy Macri's support and lost the battle. As a charismatic politician with a national profile, Michetti could have become a rival to Macri within the party; by picking her as his running mate, Macri can be assured of a degree of acquiescence. As a woman, the senator could also help Macri deal with a perceived problem with female voters, following some sexist comments made in a radio interview last year. She should also be useful in helping to attract support from outside Macri's urban professional voter base.

On the downside, the choice of Michetti does not help Macri to reach out to other parties. While that helps to clarify the decision before Argentine voters in October, with Macri and Michetti representing a more market-friendly agenda than the more statist plans of Scioli and Zannini, it may alienate voters who position themselves between those two poles.

Santa Fe result

After recounting the ballots cast in dozens of contested polling stations, the local electoral court in the central province of Santa Fe declared Miguel Lifschitz the next governor. Lifschitz, from the leftwing Frente Progresista Cívico y Social, beat the PRO's Miguel del Sel by just 1,776 votes in a province with 2,580,882 registered voters. The PRO is still protesting the decision to award victory to Lifschitz. The FpV's Omar Perotti came third, but the ruling party will welcome the result as a defeat for Macri's candidate.

Army chief resigns

General César Milani, the commander of Argentina's army, quit on 23 June, ostensibly for "strictly personal reasons". Appointed over two years ago, President Fernández had stuck by Milani despite repeated accusations that he was involved in human rights violations during the military dictatorship. Various local media speculated that Milani had stood down to avoid embarrassing the government ahead of the October elections.

Milani has been accused in court cases over the disappearance of a soldier, Alberto Ledo, in 1976 in Tucumán, and the torture of two people in La Rioja in 1977. Journalists have also questioned his business transactions. Most kirchneristas have tried to sweep these charges aside. Hebe de Bonafini, head of the Madres de Plaza de Mayo human rights group, is one of them: on 23 June she said the charges against Milani were "invented". But another pro-government human rights lobby, the Centro de Estudios Legales y Sociales (CELS), led by Horacio Verbitsky, after initial hesitations, ended up opposing his appointment, saying that there were still unanswered questions about his past.

2018 scenarios

Datafolha ran two scenarios for the 2018 election. In the first former president, Lula da Silva (2003-2010), placed second (with 25% of voting intentions) to Aécio Neves (on 35%), the senator from the opposition Partido da Social Democracia Brasileira (PSDB), who narrowly lost to President Dilma Rousseff in the October 2014 presidential elections. Marina Silva, the presidential candidate of the Partido Socialista Brasileiro in 2014, was third on 18%. In the second scenario, which included São Paulo State Governor Geraldo Alckmin as the PSDB candidate, Lula led with 26% of the vote, Silva was on 25% and Alckmin on 20%.

Lula launches his own cultural revolution

The latest Datafolha poll makes for grim reading for Brazil's President Dilma Rousseff. Just 10% of the 2,840 voters consulted considered her performance 'good' or 'excellent'. Sixty-five per cent thought it bad or terrible. This is the second worst result for a Brazilian president since 1985, surpassed only by Fernando Collor's 69% rejection rate in the days just preceding his impeachment. A majority (53%) of those polled believe that the country's economic situation will deteriorate, while over 70% think that both unemployment and inflation will rise. If Rousseff's approval ratings were not worrisome enough, former president Lula da Silva (2003-2010), has chosen this moment to begin publicly excoriating his former protégé.

While the threat of impeachment has receded for Rousseff for the time being, it could return should the Tribunal de Contas da União (TCU), Brazil's financial ombudsman, reject the federal government's financial accounts for 2014. The Rousseff government is currently in the process of defending its creative accounting practices to show that it did not violate the law of financial responsibility, as alleged by the TCU. Meanwhile, the economic news continues to dismay: the official inflation rate is approaching 9%, the monthly Caged unemployment survey shows a net loss of jobs for the past four months in a row, and that average wages are falling.

While Lula refrained from criticising the government during the Partido dos Trabalhadores' (PT) party congress in Salvador, Bahia, at the beginning of the month, he has used the weeks following to amplify his dissatisfaction with Rousseff's performance. In a conversation with some of the religious leaders who helped to found the PT, Lula said that Rousseff was below the "dead volume", a reference to the President's bottom-scraping approval levels, as well as the drought situation in São Paulo state. He criticised the government's failure to manufacture any good news, arguing that the austerity measures being imposed had crowded out positive messages. The government appears to be "mute", Lula complained.

Lula is also known to be irritated by the government's failure to do anything to limit the scope of 'Operation Car Wash', the official investigations into the corruption scandal at Petrobras, the state-owned oil company. As the inquiry nets ever bigger fish [see next page], Lula has complained to colleagues that the justice minister, José Eduardo Cardozo, acts as if he were not in charge of Brazil's federal police. Rousseff, who has repeatedly insisted on the police's independence and remarked that "let the pain fall where it may", has washed her hands of the investigation, according to Lula.

Then on 22 June the former president said that it was necessary for the PT to decide whether it merely wanted to save its own skin, or defend its policies. "Today we [the PT] just think about our own jobs, in staying elected. No one works for free anymore", Lula said. "The PT is old. I keep thinking that it is time we had a revolution in this party", he added. On current trends, the PT looks like losing mayors and city councilors in the municipal elections schedule for 2016. If this happens, it would be the first time since 1988 that the PT shrinks, and would have a knock-on effect on the party's national candidates for the 2018 general elections.

Local analysts interpret Lula's interventions as the work of a wily politician. By speaking out in this way, he drowns out the voices of the official opposition, such as the centre-right Partido da Social Democracia Brasileira (PSDB), ensuring that political debate is kept within the confines of the PT. It also helps to distance himself from a massively unpopular President ahead of his likely presidential bid in 2018. Over the past week, a group of influential federal senators have signed a letter expressing their support for "the great president Lula". Walter Pinheiro, one of the senators who signed the document, said that his own recent criticisms of the government had led some to tell him to leave the PT. "If my comments take me out of the party, I think I will go together with Lula", Pinheiro said.

Ripples of 'Operation Car Wash' lap closer to Lula

"At this point the former president is not part of the investigation," Carlos Fernando dos Santos Lima, a lead prosecutor in 'Operation Car Wash', said on 22 June, in a wide-ranging interview with *Reuters*, when asked about former president Lula da Silva (2003-2010). Much of Brazil's mainstream media is hostile to the Partido dos Trabalhadores (PT), meaning that the arrest of Marcelo Odebrecht, the CEO of one of the biggest construction companies in Latin America, and a friend of Lula's, inevitably led to questions about whether the former president might be next. Lima's response, and the code-name for the latest phase of the operation "Erga Omnes" (the law is valid for all), may not have entirely put Lula's mind at rest.

Odebrecht was arrested on 19 June along with Otávio Marques de Azevedo, the president of another major construction and engineering firm, Andrade Gutierrez, and ten other senior executives. The federal police claim that together the two companies paid out R\$710m (US\$229m) in bribes to directors of Petrobras, Brazil's state-controlled oil company. Both companies issued strongly worded statements denying the charges and bemoaning the "unnecessary" arrests. In a deposition to police on 18 May this year, Marcelo Odebrecht said the company had received no benefits in kind from the government and denied claims that Odebrecht overcharged on contracts signed with Petrobras.

Odebrecht, with stakes in energy, infrastructure and petrochemicals, has contacts in 21 countries in Latin America, Europe, Africa and the US; last year revenue grew 11% to R\$108bn (US\$35bn). It is the lead contractor on the project to rebuild the seaport in Mariel, Cuba. Petrobras contracts account for just 1% of Odebrecht's backlog and public works are around 5% of its building arm. Still, following its president's arrest the price of its bonds fell and on 23 June the credit ratings agency, Standard & Poor's cut Odebrecht's rating by one notch to BBB-, its lowest investment grade.

Lula and Marcelo Odebrecht travelled together on a number of occasions and Odebrecht was an enthusiastic supporter of the former president's foreign policy. As late as January 2013, Alexandrino Alencar, the company's director for institutional relations, took Lula on a special corporate trip to Cuba, the US and the Dominican Republic in the company's own jet. Last month federal prosecutors opened a separate investigation into whether Lula improperly used his connections to benefit Odebrecht. Cameron Combs, a researcher with Eurasia Group, said, "there is a larger possible connection between Lula and Odebrecht and we see [Odebrecht's] possible indictment as a big risk."

Part of the evidence against the two CEOs comes from testimony given by executives from other construction companies arrested earlier. Speaking on 23 June, Lima said that none of those arrested last week have shown any interest in plea deals so far. "If someone from Odebrecht were to decide to collaborate, who knows we might get some information on the political end as well," Lima said.

At least 12 foreign companies have been implicated in the corruption scheme at Petrobras, including South Korea's Samsung Heavy Industries Co Ltd, Swedish builder Skanska AB, Danish oil and shipping group Maersk and British engineer Rolls-Royce Holdings. Rather than facing prosecution and potential disqualification from future tenders with the Brazilian government, Lima said he hoped foreign firms would admit wrongdoing, pay fines and collaborate with the investigation.

Eletrobras next?

Lima also suggested that a similar scheme to the one set up at Petrobras may have operated at Eletrobras, Brazil's largest electric utility, specifically on projects like the nuclear reactor Angra 3 and the US\$13bn Belo Monte hydroelectric power plant in the Amazon. Norte Energia, an Eletrobras-led consortium building the Belo Monte hydroelectric plant, said it was not aware of being the subject of an investigation.

Prisons overflowing

Brazil's justice ministry released data on 23 June showing that Brazil had over 607,000 inmates in its prison system, but only the capacity to hold 376,000. Since Brazil passed a new drug law in 2006 which tightened sentencing for drug trafficking, Brazil's prison population has doubled.

Presidential plane purchase excites controversy**No planes**

Only Costa Rica, Nicaragua and the Dominican Republic in the region do not possess a presidential plane. Technically, Paraguay does not have one either but President Horacio Cartes has his own private plane, a Fokker 100 with capacity for 100 passengers which will serve as the presidential plane while he is in power. In 1997 Paraguay's then-president Juan Carlos Wasmosy (1993-1998) sanctioned the purchase of a reconditioned 'Boeing 707' for US\$5m but two years later it was sold to Brazil at a huge mark down for US\$700,000 as part payment for an outstanding debt.

Uruguay's centre-right opposition Partido Nacional (PN, Blancos) is accusing the left-wing government led by President Tabaré Vázquez of inconsistency by preaching austerity while finding money without any difficulty for its own pet projects and ideological affinities. The president of the PN, Luis Alberto Heber, attacked the government for gratuitous spending on a US\$1.26m 'Hawker 700' presidential plane, and writing off a US\$50m debt to Cuba. The criticism of the plane purchase is harsh, however, when compared to some of the extravagant purchases elsewhere in the region.

PN Senator Javier García criticised the cost of the 'Hawker 700' and the lack of transparency over the purchase. Uruguay's deputy defence minister, Jorge Menéndez, responded by saying the plane was second hand (it was built in 1979) and would have cost in excess of US\$15m new. Menéndez also argued that it would be able to perform aeromedical functions (although it was built with executives in mind). Uruguay currently has a 'Cessna 414' for national flights with capacity for six passengers; the 'Hawker 700' can hold eight and will enable regional flights. Former president José Mujica (2005-2010) had to hitch a ride aboard Argentina's 'Tango 01' to attend regional summits but Vázquez does not share that level of intimacy with Argentina's President Cristina Fernández.

To put the cost of the plane in perspective, the Bolivian government purchased a 'Dassault Falcon 900' in 2010 for US\$38.7m, which was famously forced to land in Austria in 2010 having been denied permission to pass through the airspace of France and Portugal when President Evo Morales was returning from Russia amid suspicions that it was carrying the surveillance whistleblower Edward Snowden. Destined for executives of Manchester United football club who opted not to buy it, the plane, which can carry 19 people, replaced a 34-year-old 'Sabre Liner' which had numerous 'incidents', according to the government, putting Morales's life at risk. The opposition had complained that there was not a transparent auction and that it was far too expensive for a poor country like Bolivia to justify.

Ecuador's President Rafael Correa sanctioned the purchase of a Dassault Falcon 7X in 2013, which can carry 14 passengers and has no need to refuel on trips to Europe and Asia, for US\$48.6m. Only five years earlier his government had acquired a 'Legacy 600' from Brazil's aerospace manufacturer Embraer as the presidential plane, which remains part of a fleet of aircraft available for official use.

The Embraer 'Legacy 600' is one of several jets available for presidential use in Colombia and most recently carried Spain's former prime minister Felipe González from Caracas to Bogotá [WR-15-23], much to the chagrin of Venezuela's President Nicolás Maduro (who incidentally uses an Airbus A319 purchased in 2002 with a state-of-the-art satellite system). Strangely, while Honduras also has an Embraer 'Legacy 600' as its presidential plane, Brazil has a modified Airbus A319 for medium and long haul flights dating back to 2005, putting its faith in two Embraer planes for national and regional flights only.

Mexico's dream plane

But all of these aircraft pale in comparison to Mexico's new presidential plane which will come into service in September. A Boeing 'Dreamliner 787', for a cool US\$580m it is the most expensive in its class. It is made from composite materials and has capacity for 80 passengers, with space for an office, a recreation area and a luxury bedroom, something which the

“Finally Chile is up to date since the law that we passed is exactly the kind of institutional framework that will incentivise and promote better and greater foreign investment in our country. We did it because, as a government, we firmly believe that private investment makes a great contribution to our development and to the generation of wealth in Chile.”

- President Michelle Bachelet

Mexican weekly *Proceso* expatiated upon while calculating that for the same sum it would have been possible to construct eight hospitals. A further US\$77.5m was required for the construction of a bespoke hangar in the Mexico City airport to accommodate the plane's enormous wingspan.

The contract for the plane was actually signed by Mexico's former president Felipe Calderón (2006-2012) towards the end of his *sexenio* but the government led by President Enrique Peña Nieto chose to keep it on the grounds that its existing Boeing model dating from 1989 has been discontinued. It also argued that the plane was consistent with its environmental commitments as it is one of the most fuel-efficient models available. The left-wing opposition, however, questioned whether this could justify a price tag in excess of the US Air Force One, or the presidential planes used by Russia (whose Ilyushin Il-96-300 is also the model used by Cuba) and China.

TRACKING TRENDS

CHILE | Bachelet passes new foreign investment law. President Michelle Bachelet passed into law on 16 June a new regulatory regime for foreign investment in Chile. The new law, which replaces the 1974 Foreign Investment Act, will provide “a more modern legal framework” allowing the country to adopt a proactive role in attracting investors, Bachelet said during a ceremony to mark the law's passage at the La Moneda presidential palace. “It is a law that not only establishes the conditions for foreign investors but that also involves the creation of a national strategy to promote foreign direct investment (FDI)... For the first time in history, Chile will have a national investment policy that is able to fit in with the rest of our economic policy and to provide sustainable development,” Bachelet said.

The law entails the creation of a committee of ministers for the promotion of foreign investment, which will advise the President regarding foreign investment policy. It also involves the setting up of a foreign investment promotion agency that will implement the policy of attracting foreign investment and also coordinate the efforts of the country's regional governments to do so, following advice laid out by the Organisation for Economic Co-operation and Development (OECD). The new law, which will come into force in 2016, guarantees foreign investors' access to foreign exchange markets and to the free remittance of capital and earnings. But current foreign investors in Chile will have the option to maintain contracts signed under the terms of the 1974 legislation, which will also be available to new investors for a maximum period of four years with a fixed tax rate of 44.45%.

“This new legal and institutional framework is a true opportunity for Chile, to attract better projects which bring greater productivity, greater innovation, greater diversification, more sustainability and better cooperation between the State, the communities and businesses,” Bachelet said. She emphasised “the position of Chile as a serious economy, open to the world, that is managed responsibly and that serves as a link between the Pacific and Latin America”, as a feature that was attractive to foreign companies looking to invest. “We are a country whose economy has its doors open and that warmly receives foreign businesses that contribute their knowledge, technology and ideas to the development of our nation”, she said.

The United Nations Economic Commission for Latin America and the Caribbean (Eclac) released a report in May of this year showing that Chile remains the third most popular Latin American country for foreign investors, behind Brazil and Mexico. According to figures published by the Chilean central bank, Chile received US\$111.27bn in FDI between 2010 and 2014. FDI in 2014 was US\$23.30bn, 15% above that of the year before, but below the US\$28.54bn invested in 2012. FDI is concentrated in the mining sector, which absorbed 44.9% of the total between 2009 and 2013; over the same period the US was the biggest investor, with 16.7% of total FDI.

Bogotá challenges Maduro's maritime grab

“As far as has been officially acknowledged in Bogotá, Colombian foreign relations minister María Ángela Holguín first raised her country's objections to the decree on 17 June, in a telephone conversation with her Venezuelan peer Delcy Rodríguez, warning her that a formal note of protest would be on its way that same day. The note asked Venezuela to take the necessary measures to correct the decree ‘which includes maritime areas still to be demarcated with Colombia [and] affects Colombia's interests and historic position regarding the demarcation of its marine and submarine areas with the Bolivarian Republic of Venezuela.’”

Colombia has followed Guyana's lead in challenging the 27 May decree by which Venezuelan President Nicolás Maduro establishes four “operational integral defence maritime and insular defence zones” (ZODIMAINs in the Spanish acronym). In Colombia's case the bone of contention is the Gulf of Venezuela or Coquivacoa, where sovereignty over oil-bearing areas and fisheries is still disputed.

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The persistence of differences between the two countries, it says, “have prevented the arrival at an agreement on the pending demarcation issues [for which reason] the areas unilaterally established by Venezuela in the coordinates of the Western ZODIMAIN cannot be assumed to belong to Venezuela, because they are still in dispute or are not in accordance with what has been agreed bilaterally.”

Holguín followed up by saying, “We believe that these differences between countries should be kept bilateral; we will confine it to the diplomatic level [...] The areas are not in litigation because we have not taken the issue before any international tribunal. There is a presidential negotiating commission that has been studying these areas since 1990.”

She appears to be alluding to the commission set up in the wake of the 1987 incident in the gulf that led both countries to the brink of war. A high-level binational commission (COBAN) was established in 2005 to defuse another incident (the “Granda case”), under which a negotiating commission (CONEG) was entrusted with handling bilateral issues. The last time CONEG dealt with the gulf was in 2009, when Venezuela tabled its first proposal that envisaged concessions to Colombia — which the latter did not consider satisfactory.

On 23 June the Venezuelan foreign relations ministry issued a communiqué criticising the tone adopted by the Venezuelan government “which scandalise[s] and exaggerate[s] the blackmail and media lies instead of the valid diplomatic channels and the due dialogue between good-neighbourly countries.”

The communiqué says that Venezuela “repudiates the hate-laden anti-Venezuelan campaigns endorsed and promoted by local oligarchic factions to foster enmity and provoke confrontation between brothers.” It goes on to say, “We coincide on convening the COBAN to discuss issues of bilateral interest opportunely and efficaciously.” President Juan Manuel Santos concurred, but only “after Venezuela provides a proper answer to our note.”

Hovering between dialogue and maintaining the peace

“On 19 June the congress voted to grant Humala the power to rule by decree, for 90 days, on matters of public security. Prime Minister Cateriano justified the request for this power as arising “not only from social urgency by also from public demand.” As outlined by Interior Minister José Luis Pérez Guadalupe, this will enable the expeditious introduction of legal instruments to strengthen the fight against common crime and organised crime.”

President Ollanta Humala has reiterated the vow he made back in 2010 when he visited the valley of Tambo, heart of the Tía María conflict: “We will do what the people want.” In a gesture meant to drive home this message he ordered the cancellation of a recently granted fish-farming concession in the Titicaca basin which had been challenged by local organisations on environmental grounds. At the same time, though, he promised to defend the local families in Tambo from “unscrupulous people who are engaging in extortion and sowing terror.”

Prime Minister Pedro Cateriano appeared to elaborate on the meaning of that presidential promise when, on 23 June, he announced that there had been “progress” towards solving the Tía María conflict, citing as an example the arrest of protest leaders, such as Pepe Julio Gutiérrez (on 15 May, on a charge of seeking to extort a bribe from Southern Copper). The latter, he said, “was an important factor from a political point of view — to demonstrate that what is at stake is not the rights of the population.”

This said, Humala insists that his government is not defending the interests of Southern Copper. It remains committed, he says, to ensure that environmental impact assessments are adequate, that mining does not affect the Tambo valley and that the water resources are used for agriculture rather than mining.

The “pause” in the execution of its project announced by Southern Copper in May is due to run out in mid-July. In early June company president Óscar González said that “if it were necessary” the pause would be extended. On 23 June Energy & Mines Minister Rosa María Ortiz told the newspaper *Gestión*, “I believe that it has been clear to the company for some time that it must do so.”

Ortiz said, “Tía María is still at a stage when I believe dialogue can be opened [...] I can state that this project could be getting under way before the end of President Humala’s term if the three parties make out contributions.”

What kind of balance the government will seek is unclear. On 16 June it extended until 15 July the deployment of the military “in support of the police” in Arequipa (where the Tía María conflict is unfolding), Madre de Dios and Puno. The stated purpose of the extension is “to ensure internal control and prevent acts of violence in mobilisations promoted by illegal mining.” A drive against illegal mining is under way in the last two of the regions affected by the extension.

The specific role of the military is to “guarantee the full enforcement” of the rights of movement, peace and tranquillity, adequate functioning of public services, and to guard critical vital points in the regions.

On 19 June the congress voted to grant Humala the power to rule by decree, for 90 days, on matters of public security. Prime Minister Cateriano justified the request for this power as arising “not only from social urgency by also from public demand.” As outlined by Interior Minister José Luis Pérez Guadalupe, this will enable the expeditious introduction of legal instruments to strengthen the fight against common crime and organised crime.

Among these instruments are the classification of *sicariato* (a notion akin to contract killing) as a distinct offence, with liability to extend beyond the direct perpetrators to those who plan or order killings, with the employment of minors to commit them as an aggravating factor. Another is the empowerment of the national police to access the geolocation of suspects’ mobile phones.

López ends hunger strike declaring success

Venezuela's legislative election date has been set. The stakes could not be higher.

Tibisay Lucena, the president of Venezuela's national electoral council (CNE), finally announced that this year's national legislative elections will be held on 6 December, coinciding with the date of the late Hugo Chávez (1999-2013)'s first presidential election in 1998. In a nationally televised address, Lucena accused the opposition of scaremongering and of a "smear campaign" and insisted that the CNE had "never given signals that the electoral process would not take place this year". The CNE does not "act under pressure", she intoned.

The CNE's delay in setting a date for the elections to renew the 165-seat unicameral national assembly (AN), due by December at the latest and which by law must be called six months in advance, prompted the opposition Mesa de la Unidad Democrática (MUD) to accuse the CNE of foot-dragging to benefit the ruling Partido Socialista Unido de Venezuela (PSUV), arguing that the CNE was trying to give the radical left-wing government led by President Nicolás Maduro as much time as possible to resolve the country's current economic crisis before having to face the electoral contest; while giving the multifarious opposition the least amount of time possible to prepare for it.

There were some fears that the vote would not be held at all. While the Bolivarian Revolution has long depended on regular vindication at the ballot box, staging elections was no problem when victory was almost guaranteed under Chávez, whose charisma was matched by high oil prices, allowing him to deliver on his big promises. The situation under Maduro is very different.

A day after Lucena's announcement, the jailed opposition leader Leopoldo López abandoned his hunger strike, launched exactly a month earlier (on 24 May) along with the also-imprisoned former opposition mayor, Daniel Ceballos. In a letter released by his wife, Lilian Tintori, López called the CNE decision "a joint achievement" for he and Ceballos (who was forced to quit after a few weeks following health complications) and the hundred or so activists (many of them students) who had fasted in solidarity with the pair and in support of their demands, among which was a definitive election date. "All I can say with a lot of hope is that Venezuela now has a date for change", López wrote.

Jesús 'Chúo' Torrealba, the MUD's secretary general, called on the coalition to work to consolidate its early poll lead. "We need to transform voting intentions into votes. We need to transform the possibility of victory into victory", Torrealba said, reiterating that the MUD's objective is to end the PSUV's 99-seat majority. Henrique Capriles Radonski, who along with Torrealba represents the moderate wing of the MUD, and which did not really support López's hunger strike, also urged unity.

MUD unity has long been an aspiration, but rarely a reality. The coalition has yet to agree on whether to field a 'unity slate', with all the candidates running on a single MUD ticket, or whether the candidates from the 29 or so parties in the coalition will run on individual party tickets, under a headline MUD banner. It also remains to be seen what López's next tactics will be – whether he will now row in behind the MUD leadership in support of its efforts to sell a single message of change to the electorate, or whether he will continue to pitch a more radical stance from his military prison cell – a stance that Capriles, in particular, argues splits the opposition 'voice' and erodes the MUD's efforts to offer a moderate, social-democratic alternative to the ruling PSUV, not least to the disaffected *Chavista* voters it needs to win over to secure a majority of votes.

Polls

An April poll by Datanálisis put voting intentions for the MUD at 45.8%, to 28.2% for the PSUV. However, that assumes a level playing field, and it is far from level. Not only does the PSUV have a tight grip on the institutions of state, including the CNE and the judiciary, recent electoral district gerrymandering means that the MUD has to win a significantly higher proportion of votes than the PSUV to secure a simple majority. This year's official campaign period also appears shorter, running from 13 November to 3 December.

Colombian contraband

“Contraband is the other side of the story of narco-trafficking,” Colombia’s finance minister, Mauricio Cárdenas, said. “Drugs leave the country and these drugs return converted into cheap merchandise, merchandise that doesn’t pay tax,” he added. Contraband denies the State some Col\$2.9 trillion (US\$1.14bn) a year in taxes, according to Colombia’s customs and excise agency (Dian).

BOLIVIA | First oil find for quarter-century. The government led by President Evo Morales announced on 18 June the discovery by the state-owned oil company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), of new oil reserves. This is the first such find for 23 years and at a stroke nearly triples Bolivia’s current oil reserves from 16m barrels to 44m barrels.

YPFB expects that exploitation of the oil reserves in the Boquerón Norte field in the municipality of Yapacaní in the eastern department of Santa Cruz will begin in 2017. The minister of hydrocarbons and energy, Luis Alberto Sánchez, said the discovery would permit Bolivia to reduce its diesel imports by around 20%, as some 6,500 barrels of oil per day would come on-stream from this well from 2019 onwards. The State subsidises fuel, and the biggest cost behind this subsidy is diesel imports.

Separately President Morales said on 20 June at an event in Cochabamba that Bolivia hoped to be exporting some 8,000MW of electricity by 2025, when the country will celebrate its bicentenary of independence. Morales said that much of this would be generated by a bi-national hydroelectric dam being planned with Brazil on the shared Madeira river for launch by 2022. This would generate 3,000MW, with Bolivia exporting the surplus electricity back to Brazil and using the proceeds to cover its portion of the financing cost, much as Paraguay currently does to Brazil with the Itaipú hydroelectric dam, albeit Bolivia would be looking for more generous terms as this has been a festering sore between Asunción and Brasília.

Bolivia’s current production is 1,500MW, which satisfies the average domestic demand of 1,300 MW.

COLOMBIA | Anti-contraband law. “Enormous satisfaction”. This is how the finance minister, Mauricio Cárdenas, reacted to the approval last week of an anti-contraband law, which had been mired in congress for over a year. “Contraband is the main problem which our productive apparatus faces,” Cárdenas said. “We must declare total war on contraband. Contraband destroys jobs, destroys businesses,” he added. According to the commerce, industry and tourism ministry, contraband generates the equivalent of 2% of Colombia’s GDP and 10% of imports.

Under the new law prison sentences will range from four to eight years for contraband dealers and fines will amount to up to 300% of the customs value of the contraband products imported, sold and transported. Those involved in transporting or selling contraband goods will be subject to the law from now on too.

Cárdenas also said that public officials would be punished much more severely for complicity in contraband. “Before they could get away with a fine but now they will go to prison,” he said. For those facilitating large-scale contraband operations, involving merchandise of over Col\$120bn (US\$47,000) prison sentences will be up to 16 years.

PERU | Quieten political noise. Martín Pérez, the president of the powerful private sector business lobby, Confederación de Instituciones Empresariales Privadas (Confiep), has called on the government led by President Ollanta Humala to reduce the “political noise” to improve the investment climate to enable Peru to post economic growth in excess of 4% this year.

Pérez was referring to the Humala administration’s open skirmishes with the opposition, particularly over corruption issues, as political parties and candidates jockey for position ahead of presidential and congressional elections in April 2016. It is difficult, however, to see anything other than more decibels of political noise emitted over the next nine months. There is also the recurrent concern of social unrest in the regions, with Humala compelled to extend military intervention in the three southern regions of Arequipa, Puno and Madre de Dios last week to maintain order [WR-15-24].

Congress voted by 86 to 21 last week to grant the legislative powers sought by the prime minister, Pedro Cateriano, to enable the Humala administration to legislate on economic, financial and administrative matters over a period of 90 days (he had sought 120) with the objective of dynamising economic growth. This will be restricted to the regulation of electricity generation; private investment promotion; access to housing; public-private partnerships; and easing trade restrictions.

SCJN ruling

Reading out the SCJN's ruling, Justice Fernando Franco González Salas said that the court had determined that the reform "creates a new exceptional regime of employment relations between teaching staff and the State, which is based not only on Art. 123 but also on Art. 3 ... which protects children's rights to receive a quality education". González added that the dismissal of teachers that fail to meet certain standards "is congruent with the intention to achieve a quality education system, which constitutes a human right of all pupils [and] which must take precedence over teachers' labour rights".

Education reform back on track

After suspending the teacher evaluation tests, part of the education reform approved in 2012-2013, in a bid to take the sting out of the protest campaign led by the *Coordinadora Nacional de Trabajadores de la Educación (CNTE)* teachers' union against the reform ahead of the 7 June midterm federal legislative, state and municipal elections, the government led by President Enrique Peña Nieto is now looking to get the testing and the reform firmly back on track. But with the CNTE still determined to oppose this, the issue looks set to become one of the main political challenges that Peña Nieto will face in the second half of his single six-year term ending in 2018.

With the CNTE staging highly disruptive protests in support of the relatives of the *Iguala* disappeared and demanding the repeal of the reform in the southern states of Guerrero, Oaxaca, Michoacán ahead of the elections, the education ministry (SEP) announced on 29 May that it was suspending the teacher evaluation programme "until further notice". The brief SEP statement did not provide a full explanation, stating only that it stemmed from "technical and political" considerations. This led many to believe that it was a major concession to the CNTE aimed at trying to appease the combative teachers and prevent them from making good their threat of disrupting the elections.

The suspension of the evaluation programme produced alarm among the educationalists that support the reform, who accused the Peña Nieto government of bowing to the CNTE's strong-arm tactics (*see sidebar on page 12*). The introduction of mandatory regular teacher evaluations is widely considered a key aspect of the education reform that aims to professionalise the national teaching service in order to significantly improve the quality of education in Mexico. But the CNTE argues that the plans to link teachers' salary levels and future promotions would be detrimental to the teaching profession by limiting teacher numbers (through the mass layoff of its members) and forcing them to concentrate more on passing these tests rather than on improving the quality of their teaching.

However, the SEP's announcement failed to convince the CNTE to call off its plans to demonstrate on election day and seek to boycott the polls in the southern states where its presence is strongest. So after the election the government was quick to lift the suspension of the teacher evaluations and reaffirm its intention to fully implement the reform, which had come under question by educationalists who said that Peña Nieto's commitment to the reform was weak and that he appeared reluctant to stand up to the CNTE in order to avoid further unrest. Thus immediately after the election, on 9 June, Peña Nieto said that the teacher evaluation programme would be immediately resumed across the country and would not be cancelled "for any reason". This was echoed by Education Minister Emilio Chuayffet, who said that the first stage of the evaluations would take place across the country on 20-21 June come "thunder or rain".

But the announcement led the CNTE to declare an indefinite strike in Oaxaca and Michoacán and to embark on a protest march to Mexico City. The SEP did hold the teacher evaluations as announced. But it was forced to suspend these in Oaxaca and Michoacán due to violent actions by CNTE members, which prevented SEP officials from administering the tests. Nevertheless, the SEP has said that some 39,000 teachers or 82.7% of all teachers that registered to take part in the evaluations were able to sit the tests as planned.

Criticism

Education reform supporters were dumbfounded by the government's apparent backtracking over the teacher testing. Many were surprised by its refusal to stand up to the CNTE given that back in February 2013 it arrested Elba Esther Gordillo, the leader of the Sindicato Nacional de Trabajadores de la Educación (SNTE), one of Mexico's largest teachers unions on organised crime and corruption charges. Gordillo had fiercely opposed the reform but following her arrest the SNTE eventually accepted the reform. The leniency shown to the CNTE led some to accuse the Peña Nieto government of turning its back "on the thousands of good teachers who want an education system where merit, rather than political or trade union loyalties, determines entry, recognition, and promotion".

Meanwhile in the 22 June Encuentro Internacional Virtual Educa México 2015 education conference sponsored by the Organization of American States (OAS) and held in Guadalajara, Jalisco, Chuayffet said that the evaluation programme will continue despite CNTE resistance, with new test dates scheduled for Oaxaca and Michoacán for July. This was echoed by Peña Nieto, who also attended the event, stating that "despite the resistance of some minorities", the reform is "irreversible"; and that implementing the education reform would be one of his government's priorities for the second half of his term. However, the CNTE remains as intransigent as ever and insists that it will continue to oppose the reform and prevent the evaluations from being administered in the areas where it has a strong presence. All of this suggests that implementing the education reform will become the next major political battle for the Peña Nieto government.

SCJN backs reform

In a major boost for the Peña Nieto government, on 23 June Mexico's supreme court (SCJN) unanimously rejected a constitutional challenge filed by the Coordinadora Nacional de Trabajadores de la Educación (CNTE) against the introduction of teacher evaluation tests under the education reform. The complaint argued that the testing violated constitutional Art. 123 on the right to dignified work, by making teachers that fail the tests liable to be sacked. But the 11-member court ruled that the proposed evaluations neither infringes the constitution nor constitutes a violation of teachers' rights (see sidebar). The SCJN said that it still has to analyse some of the other specific objections raised by the CNTE relating to the exact conditions under which teachers that fail evaluation tests can be sacked. But it is not expected that this will provide sufficient cause for the reform to be struck down by the SCJN.

TRACKING TRENDS

MEXICO | Electricity and gas projects tender. On 22 June the Mexican government announced the launch of public tender processes for 24 electricity generation, transmission, distribution and gas extraction projects across the country. According to the government, it has already earmarked US\$9.84bn for investment in these projects which were presented in a press conference by Energy Minister Pedro Joaquin Coldwell and Enrique Ochoa, the director of the federal electricity commission (CFE).

Ochoa explained that the projects consist of five gas pipelines, three gas redistribution plants, four power plants, three electricity transmission facilities, and nine electricity distribution facilities. According to Ochoa, the projects will directly benefit 24 of Mexico's 31 states by adding close to 1,442MW of installed capacity to the national electricity grid, adding close to 2,300kms of gas pipeline, some 122kms of electricity transmission lines, as well as 2,960kms of electricity distribution lines. Ochoa highlighted the fact that the five new proposed gas pipelines are in addition to the eleven already under construction and will help the government achieve its objective of increasing natural gas distribution networks by 75% before the end of President Enrique Peña Nieto's single six-year term in December 2018. Significantly, the new pipelines will help to transport natural gas from the US and northern Mexico to the central Bajío geographical region (which comprises the states of Queretaro, Guanajuato, Aguascalientes and parts of Jalisco), one of the country's main industrial hubs.

As for the electricity generation plants, Ochoa pointed out that these will include an internal combustion plant, a geothermal one, a wind-powered one, and a combined cycle one, that are to be located in the states of Baja California Sur, Michoacán, Oaxaca and San Luis Potosí. Minister Coldwell said that these new projects will help bring about "greater dynamism in the trade, agricultural and services" sectors by reducing energy costs and improving the competitiveness of local firms. Coldwell added that the CFE's plans would create a "truly national gas pipeline network that will allow us to transport this fuel to the main industrial and economic areas of the Republic".

Ríos Montt lawyer murdered

On 3 June Francisco Palomo Tejeda, a leading member of the defence team for former dictator Efraín Ríos Montt (1982-1983), was shot dead by two assailants on a motorbike while he was driving his car in Guatemala City. One of Guatemala's most high-profile lawyers, Palomo defended Ríos Montt, who in May 2013 was convicted of genocide and crimes against humanity committed during the 1960-1996 civil war - a ruling that was overturned days later. Besides Ríos Montt, Palomo has also defended other high-profile figures like former president, Alfonso Portillo (Frente Republicano Guatemalteco, 2000-2004), who was acquitted in 2011 of charges of embezzling US\$15m in defence funds although he was subsequently extradited to the US where he served a 60-month prison sentence for money laundering.

More stops and starts against Pérez Molina

In an unprecedented move earlier this month, Guatemala's 13-member supreme court (CSJ) unanimously voted to allow the national congress to decide whether to strip President Otto Pérez Molina of his immunity from prosecution to be investigated in relation to the two recent massive corruption scandals that have shaken his Partido Patriota (PP) government - that involving the tax authority (SAT, which forced out Vice-President Roxana Baldetti) and that involving the social security institute (IGSS). With local institutions already under scrutiny as a result of the scandals, which were uncovered by the attorney general's office (AG) and the United Nations-backed International Commission against Impunity in Guatemala (Cicig), the subsequent decision by the five-member constitutional court (CC) to admit an appeal against the CSJ's ruling on procedural grounds has reignited concerns regarding the lack of independence of the country's top court.

If approved by the 158-member unicameral legislature - in which the PP does not have a majority - the move against the President would be unprecedented since Guatemala's return to democracy in 1986. The CSJ issued its ruling after admitting a legal complaint filed by Amílcar de Jesús Pop, a national deputy for the small leftist opposition Winaq party on 22 May. As per the 1985 constitution, a two-thirds majority (105 votes) would be necessary to strip Pérez Molina of his immunity. On the latest figures from congress, the PP, which has suffered various defections as a result of the scandals, now has 34 seats, while main opposition Libertad Democrática Renovada (Líder), the party of the current presidential frontrunner ahead of the 6 September general elections, populist businessman Manuel Baldizón, has 56.

As well as the CC's 18 June ruling, efforts to strip the President of his immunity have hit other obstacles. In a further sign of the seemingly endemic problem of corruption, also on 18 June, the president of the five-member congressional investigating committee tasked with drafting the report on the President, Baudillo Hichos López (Líder), was forced to quit. This after the AG and Cicig announced plans to investigate him for alleged fraud, illicit association and influence trafficking related to the awarding of a contract to lease an IGSS building in Chiquimula department. The move against Hichos - who has also been expelled from Líder - came after five people, including Francisco Cortez Bocaletti, the man in charge of contracting out services for IGSS, were arrested.

Politicisation of justice?

Further fueling concerns about the politicisation of justice ahead of the general elections, last week the AG announced that it had admitted a legal complaint against both Baldizón (presented by Deputy Orlando Blanco Lapola, of the also opposition Unidad Nacional de la Esperanza [UNE]) as well as the UNE's own presidential candidate, former First Lady Sandra Torres. The complaints against the two leading presidential candidates relate to leaflets allegedly handed out by mayoral candidates from both parties for the municipality of Mazatenango (Suchitepéquez department), which were exchangeable for construction materials after the election.

Latest poll

The latest Borge y Asociados pre-electoral poll, published in local media on 5 June, put Manuel Baldizón on 34% of voting intentions, down from 41% in February; while Sandra Torres was second with 12.9%, slightly up from 12.2% in February. The big surprise was the surge into third place, with 10.4%, of Jimmy Morales, the candidate and secretary general of the small conservative Frente de Convergencia Nacional (FCN-Nación) party. Morales previously hadn't featured in pre-electoral polls. A well-known local TV actor and comedian, Morales entered politics in 2011, running for mayor of the municipality of Mixco, Guatemala department, for the (now defunct) right-wing Acción de Desarrollo Nacional (ADN); he came third.

Virzi

Felipe ‘Pipo’ Virzi is accused of receiving US\$10m from an Ecuadorean firm, Hidalgo & Hidalgo, which won a US\$115m contract from the Martinelli government in 2012 to build an irrigation system in the municipality of Tonosí, Los Santos province. According to the local press, the company received US\$37m in funding from the government, but the project has never materialised. On 5 June the banking superintendence ordered the intervention of a local bank, Banco Universal, which is owned by Virzi’s family. Virzi’s name already came up in relation to corruption allegations surrounding former supreme court magistrate, Alejandro Moncada Luna, who told investigators that he had borrowed US\$700,000 from Virzi but insisted that there was nothing odd about this loan, as Virzi had lent money to “many”, including companies like Martinelli’s Super 99 supermarket chain and President Juan Carlos Varela’s liquor company, Varela Hermanos.

A ‘national problem’ for Varela

A “national problem” is how President Juan Carlos Varela’s communications secretary, Manuel Domínguez, described the current stand-off over the Barro Blanco hydroelectric dam project. This after indigenous protesters opposed to the project – which the Partido Panameñista (PPA)-led El Pueblo Primero (EPP) coalition government had initially suspended in February – blockaded one of the country’s main highways, the Interamericana, and other local roads in the area last week calling for its complete cancellation.

Organised by local groups such as ‘Movimiento 22 de Septiembre’ and ‘Movimiento 10 de Abril’, the blockades were in response to President Varela’s refusal to heed their ultimatum to cancel the project by 15 June. The project, located on the Tabasará River in Chiriquí province and being developed by Generadora del Istmo S.A. (Genisa), is expected to add 28.84MW of installed capacity to Panama’s national electricity grid. The Varela government suspended it in February after finding that it failed to meet the requirements of its environmental impact assessment (EIA) [WR-15-08]. Since then, talks had been taking place with United Nations mediation. However, these were suspended in May after protesters – who argue that future flooding resulting from the project would render them homeless and that their right to be properly consulted over the project prior to the start of construction in 2008 was not met – withdrew from the negotiating table, frustrated with the government’s refusal to cancel the project.

While the local private sector lobby, Cámara de Comercio, Industrias y Agricultura de Panamá (CCIAP), has expressed concerns about the impact on foreign investment that the conflict could have and called for more dialogue, President Varela for the time being remains intransigent. This despite the fact that the most recent Dichter & Neira poll, released on 16 June, showed that 59% of respondents support the protesters (as opposed to 33% who do not). While Varela has agreed to set up a new dialogue table on 30 June to discuss more general concerns about hydroelectric projects, his interior and environment ministers, respectively Rodolfo Aguilera and Mirei Endara, maintained last week that the Barro Blanco project will not be cancelled. On 18 May Varela himself issued a press release stating that the continuity of the project “was in the national interest...and that mechanisms exist to guarantee [the] human rights of [affected] communities”.

More heads roll over corruption

On 19 June a supreme court (CSJ) magistrate, Víctor Benavides, stepped down, becoming the second CSJ judge to quit since Alejandro Moncada Luna resigned last year [WR-14-46]. Moncada Luna – who in March received a five-year prison sentence for falsifying documents and illicit enrichment – was appointed by former president, Ricardo Martinelli (Cambio Democrático, 2009-2014), while Benavides was appointed in 2005 by former president, Martín Torrijos (Partido Revolucionario Democrático, 2004-2009). Back in April the national assembly opened an investigation into Benavides for various allegations including illicit enrichment and sexual crimes against minors. Benavides stepped down four days before he was due to appear to testify before the congressional investigative committee.

Most of the corruption investigations, however, continue to centre on Martinelli and his former allies. On 8 June the CSJ ruled that Martinelli, who is believed to be in the US, should face trial for alleged spying. Back in January, Alejandro Garuz and Gustavo Pérez, former directors of the executive’s national state security council under Martinelli, were arrested on suspicion of illegal wiretapping. They remain in custody. Meanwhile arrest warrants have been issued for another two former government officials – former deputy police commissioner, Ronny Rodríguez, and William Pittí, a systems analyst – whose whereabouts are currently unknown.

This is the second legal case against Martinelli after the CSJ opened an investigation at the end of April into alleged irregularities during his administration in the social welfare fund known as Programa de Ayuda Nacional (PAN). Meanwhile authorities are continuing to move in relation to the corruption case involving another close Martinelli ally – Felipe ‘Pipo’ Virzi, a former second vice-president under the Ernesto Pérez Balladares government (Partido Revolucionario Democrático, 1994-1999). On 3 June an anti-corruption prosecutor, Zuleyka Moore, presented money laundering and public corruption charges against Virzi, a member of Martinelli’s inner circle (see sidebar).

Grupo Gaviota targets the Chinese market

A key tourist sector player is Grupo Gaviota, the commercial arm of the Cuban military, which operates 55 hotels (with 29,400 rooms), 12 in Cuba's Varadero. It is currently expanding the Gaviota Varadero Marina, to be Cuba's largest and most modern, with a mooring capacity of 1,200. In September 2014, Gaviota's general manager Ileana Pilar Martínez led a delegation to China for talks about joint ventures with Chinese companies, including hotels and golf courses. The Chinese ambassador in Havana, Zhang Tuo, last year forecast "a sea of Chinese tourists for the near future." The aim is to attract up to 100,000 Chinese visitors eventually, from roughly 28,000 last year.

Cuba's big push for tourism

Tourism may account for 11% of Cuba's GDP by 2024, on estimates by the World Travel and Tourism Council (WTTC). The island hopes to have 85,000 hotel rooms available by 2020, rising to 110,000 by 2030. International tourist arrivals rose by 14% in the first five months of the year to just over 1.5m. More notably, arrivals from the US rose by over a third (36%) to an estimated 51,458, with a surge in direct and indirect travel. But the US is not the only new source market – with direct flights from China starting in September, the number of Chinese visitors is also expected to increase rapidly.

The San Francisco-based AirBnB, which two months ago launched services in Cuba for US travellers to the island, to huge international media attention, is now seeking special licence from US authorities to allow people from outside the US to use its Cuba service. The firm's chief technology officer and one of its three co-founders, Nathan Blecharczyk, told the *Associated Press* during his first trip to Havana this week, "We are applying for a special license to accommodate non-Americans who want to travel to Cuba for approved reasons. That's something that's in process...Airbnb has the majority of its users outside of the U.S. ... I think there is huge potential to market to that audience."

US citizens currently are permitted to travel to Cuba under 12 blanket licence categories, including educational travel, religious outreach and participation in cultural, artistic or sporting events, among others. Under new rules, US visitors 'self-certify' the purpose of their visit (under one of the 12 categories), and anecdotal evidence suggest a fairly lax approach by US authorities and travel companies alike. General tourism by US citizens is not yet permitted (and Cuba is not yet ready to cater to mass tourism) but in practice, the lines are fast blurring.

Blecharczyk told the AP he had no idea whether AirBnB's proposal would be approved, but expressed optimism. Notably, AirBnB's main founder and CEO, Brian Chesky, recently was named 'a presidential ambassador for global entrepreneurship' by the White House, suggesting that the company's petition may be considered, at least. Chesky in early May boasted that Cuba has been the company's fastest-growing market ever. "Forty days ago we launched in Cuba, we launched with 1,000 homes in Cuba – today we now have 2,000 homes. I don't think we've ever had a market grow as fast as Cuba...President Obama has a desire to bring these two communities together, Americans and Cubans. What better way to bring them together than actually in their homes?" Chesky told *Bloomberg TV*, adding that AirBnB was proud to help the Cuban owners of the 'Casas Particulares' now listing on AirBnB become "micro-entrepreneurs". Cuba was a "huge opportunity" for AirBnB, he stressed.

According to Jose Daniel Alonso, the Cuban tourism ministry's business director, foreign investment is playing a major role in the renewed development of the island's tourist sector. The sector had stagnated in recent years, but on the back of the détente with the US, investor interest has surged overnight. Eighteen international hotel chains currently operate over half of the available rooms in Cuba, according to Alonso, with 13 new resort projects planned through 2020, including a US\$463m Chinese venture and a US\$360m UK-funded golf course. In May, a Chinese company, Beijing Enterprise, said it planned to build a new 18-hole golf course (Cuba's second), plus condominiums.

Quotes of the week

“We don’t believe in the neoliberalism of the 1990s, when everything had to be privatised; but we also don’t believe the little tale that everything needs to be state-owned.”

Mauricio Macri, the presidential candidate of the Argentina’s centre-right opposition Propuesta Republicana (PRO) party.

“Perhaps our most important reform, the one with greatest and longer lasting impact, is the education reform, because it has to do with the formation of our human capital, perhaps the most important asset that any nation has... We have to demand greater capabilities, greater preparation and attitude to confront the challenges of this global era.”

Mexico’s Enrique Peña Nieto on his government’s education reform.

“If the Right takes control of the AN [national assembly] very serious things will happen in this country, there will be confrontation in the streets... If the Right wins, I will be the first to take to the streets!”

Venezuela’s President Nicolás Maduro warns of social unrest should the opposition win a majority in the national legislative elections scheduled to take place on 6 December.

POSTSCRIPT

Trump launches campaign bid with broadside against Mexico

“An offensive, reckless xenophobe.” This was how the president of Mexico’s ruling Partido Revolucionario Institucional (PRI), César Camacho, described the US business tycoon Donald Trump on 18 June for remarks he made during a speech to launch his presidential campaign a day earlier. Camacho was only the latest in a string of senior Mexican politicians to denounce Trump, who said that “[Mexico] is not our friend believe me; when Mexico sends its people, it is not sending its best, it is sending people that have lots of problems”. Trump also promised to “build a great, great wall on our southern border and I will have Mexico pay for that wall. Mark my words”.

“They’re bringing drugs, they’re bringing crime, they’re rapists, and some I assume are good people, but I speak to border guards and they tell us what we are getting,” Trump said in a speech delivered from ‘Trump Tower’ in New York City. Trump is only a fringe candidate for the Republican Party with no realistic chance of winning the US presidential elections or his party’s nomination, but it is exactly these sorts of comments that could do irreparable harm to the prospects of the next Republican nominee; a post mortem after President Barack Obama’s re-election demonstrated that Hispanic voters felt alienated by the party.

Trump’s address was peppered with comments that the media simply could not ignore – and neither could senior politicians in Mexico. The interior minister, Miguel Ángel Osorio Chong, dismissed Trump’s remarks as “prejudiced and absurd”, while the foreign minister, José Antonio Meade, said they reflected “profound ignorance” of the contribution migrants have made to the US and its economy. Camacho said that Trump was not much of a businessman if he could not add up that he would lose the entire Latino vote as a result of his comments, adding that many Mexicans “risk their lives contributing to the growth of the [US] economy...and for the most part are law abiding”.

But perhaps the most eye-catching reaction was from Venezuela’s President Nicolás Maduro who branded Trump a “bandit” and a “thief”, adding that “he who messes with Mexico, messes with Venezuela”. Given that just days earlier the Venezuelan national assembly had declared Mexico’s former president Felipe Calderón (2006-2012) *persona non grata* for a tweet about a Venezuelan football match, as ties between the two countries have grown more tense, Trump’s comments could have the unexpected result of salving diplomatic strains.

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