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More symbolism than substance as Rousseff travels to US

"From now on, I hope that next time President Obama wants to know what is going on in Brazil, he will call me directly." President Dilma Rousseff's answer to the inevitable question about US-Brazil relations in the wake of spying revelations raised a smile from the US president. Almost two years have passed since Rousseff cancelled a trip to Washington following reports that the US had spied on her personal emails. But whereas in 2013, Rousseff could afford such a gesture, her position is much weaker now. From the US perspective, the relationship with Brazil is far from essential, though some of the praise lavished on Rousseff and her country suggest that Washington wants to ensure Brazil does not wander too far into China's sphere of influence. Though the two presidents inked a number of agreements, most significantly on climate change, the real value of the visit was that it happened at all.

President Barack Obama and his Brazilian peer Rousseff met at a moment when the two presidents are on very different trajectories. Fresh from important victories at the US Supreme Court on healthcare and gay marriage, Obama proved a magnanimous host, describing Brazil as an "indispensable partner". Rousseff whose approval levels are currently of around 10%, was grateful for a momentary distraction from her domestic woes. Accompanied by a phalanx of high-profile members of her cabinet, including Joaquim Levy, the finance minister, as well as the ministers for foreign trade and industry, education, planning and science, technology and innovation, Rousseff also used the visit to court US investors for her ambitious infrastructure programme.

The two presidents signed deals on the environment, trade, visas, defence, social security and education. With the two countries working closely together ahead of the United Nations Climate Change Conference in Paris in December this year, the announcement on forests and carbon emissions limits was given top billing. Both the US and Brazil committed themselves to ensuring that 20% of their energy supply came from renewable (non-hydroelectric) sources by 2030, while Rousseff promised to reduced illegal logging to zero by that date and to replant 12 million hectares of forest, an area half the size of the state of São Paulo. Environmentalists were unimpressed, noting that Brazilian legislation already committed the Rousseff government to the logging target, and that it did nothing to prevent the rise in legal deforestation.

On bilateral trade, which was US\$62bn in 2014, the most significant deal struck was the agreement by the US Department of Agriculture to lift its ban on fresh Brazilian beef, a restriction that has been in place for 15 years. Brazil will also now be included among the select few countries admitted to the US Global Entry visa programme, which should ensure that Brazilian business

Cardozo

Back in Brasília, the justice minister, José Eduardo Cardozo, defended the President Dilma Rousseff's contemptuous description of "informers", arguing that she had the right to react with "indignation" to the charges against Aloizio Mercadante and Edinho Silva, given that they called into question the legality of her own election campaign. Based on Ricardo Pessoa's testimony, opposition party leaders have filed a lawsuit against Rousseff for extortion with the attorney general of the republic. Other legal cases against the government have been filed by the opposition at the Tribunal de Contas da União (TCU), the financial ombudsman, and the supreme electoral court (TSE).

travellers to the US spend less time in immigration queues. An agreement on social security means that Brazilian citizens who work in the US, and vice-versa, will have their contributions recognised in their home countries, and so will avoid paying twice.

In her interactions with US business leaders, Rousseff echoed the kind of rhetoric more commonly associated with Levy, a University of Chicago-trained economist. Speaking at an event in Washington, the President said she wanted to "open more the Brazilian economy" adding that she was "looking at all ways" to create a new growth cycle, describing the country as a "safe, attractive option" with "respect for the rules". Over the weekend 27-28 June, Brazil's foreign trade and industry minister, Armando Monteiro, said that a free trade agreement with the US was an "aspiration" of the government, but he admitted it was not likely in the short term.

A global power

Absent, at least publicly, from the two leaders' agenda was any discussion of Brazil's bid for a permanent seat on the United Nations Security Council (UNSC). The US favours India in the event of the UNSC's enlargement. While Rousseff has, until the start of her second term, expressed little interest in foreign policy, her predecessor, Lula da Silva (2003-2010), often pursued policies at odds with the US's position, particular over Iran. Brazil also abstained from UN votes on the Syrian war and a 2014 vote to provide assistance to the Ukraine.

While Obama avoided any awkwardness over the US's lack of support for a Brazilian seat on the UNSC, he did defend Rousseff over a hostile question from a Brazilian journalist which posited that Washington saw Brazil only as a regional power. Obama said he saw Brazil as a "global power" and an "indispensable partner" in the areas of climate change, fighting terrorism, reducing extreme poverty and improving global health outcomes. Though he admitted that the two countries did not have identical interests, he asserted that they had important values in common, perhaps mindful that Chinese investment in Brazil now outstrips that of the US. "I think our two nations are natural partners – in the Americas and in the world," he said.

'Operation Car Wash' hangs over US trip

During her press conference with Obama, Rousseff had to answer further questions about the latest revelations from 'Operation Car Wash', the investigation into a massive corruption scheme at Petrobras. Two of her ministers, Aloizio Mercadante (cabinet chief) and Edinho Silva (social communications) have been accused of soliciting illegal campaign donations for Rousseff's 2014 campaign, by Ricardo Pessoa, the president of UTC, an engineering firm.

Initially, Rousseff was forced to delay her departure by a few hours to deal with the fall-out from Pessoa's testimony to police, reported in the popular and deeply anti-government news magazine *Veja*. Mercadante, who was due to accompany the President on her trip, decided to stay behind to deal with the scandal. In her first comments to the press over the weekend 27-28 June, Rousseff said that she did not trust "informers". Government supporters claim that many of the State's witnesses who are proving key to the unfolding scandal of 'Operation Car Wash' are inventing testimony in order to lessen their own punishments.

Rousseff said that when she was arrested by the military dictatorship (1964-1985) she refused to become a State witness and criticized the selective leaking of testimony to the media. As for the ministers, she said she had no intention of doing anything until the full facts of the case become available. "I believe that it is necessary that we all have access to the same things. The Brazilian government does not have access to these testimonies. Curiously, there has been a selective leaking of some of them," she said, adding that assuming guilt without access to full information was a "medieval idea".

Bachelet changes education minister

Metaphorically speaking, President Michele Bachelet is like a driver caught in a particularly muddy patch of road: her approval ratings have plunged amid corruption cases and on-going protests over education. One attempt to get some traction and drive herself out of the mess was her cabinet reshuffle in early May. But she is still not out of the mud. Last week she finally completed her new ministerial line-up by moving the abrasive Nicolás Eyzaguirre out of the education ministry and replacing him with Adriana Delpiano, who, it is hoped, will prove to be a better negotiator.

The nightmare for Bachelet, a president of the Left, is that she might suffer the same fate as her predecessor, Sebastián Piñera (2010-2014), a president of the Right. In 2011, one year into his administration, Piñera was hit by massive student demonstrations: these took their toll and his popularity ratings never really recovered.

While Bachelet made a major commitment in her successful election campaign to meet precisely the student demands that Piñera had resisted – promising legislation to guarantee access to free education up to and including university level, and removing for-profit operations within state-subsidised schools – just over one year after taking office she is back in a eerily comparable position to Piñera's in 2011. Last week it was *déjà vu*, as students were back demonstrating across Santiago, and teachers remained on strike.

The problem on the student side is a new wave of radicalisation. While some longstanding demands are in the process of being met, new ones have emerged. This week student leaders said that the government's latest proposals should be modified to include a greater say for students and professors in university management and decision making. They also want primary schools to come under federal control.

Part of the problem is that while some of the leaders of the student movement back in 2011 are now in or close to the government (for instance, Camila Vallejo, one of the best known, is a member of congress for the ruling Nueva Mayoría coalition) their successors remain angry and dissatisfied. Today's younger student leaders, such as Valentina Saavedra of the Confederación de Estudiantes de Chile student union, are outflanking their predecessors: "It seems to me that new reforms need to change the structure of the government itself," Saavedra said this week.

Going beyond education, the demonstrators have been demanding more radical moves to replace the constitution inherited from military rule. Robert Funk, a political analyst at the Universidad de Chile said "You have government after government reach some agreement with the students, and the next generation comes along and says 'Hey, we won't accept this'".

On top of this teachers have been on strike since the beginning of June over the fine detail of the new education framework law, and the way it seeks to link pay levels to teacher assessment and performance. The system, say the teachers, gives too much priority to competition between teachers and not enough to teamwork and collaboration.

Eyzaguirre replaced

In an attempt to finesse a way through these cross-cutting demands, Bachelet announced on 27 June that she was moving Nicolás Eyzaguirre from the

Nicolás Eyzaguirre

Critics of the government are concerned that Eyzaguirre remains a key figure and clearly has Bachelet's trust. In an attempt to smooth over sensitivities, Eyzaguirre was careful to recognise the authority of the interior minister and cabinet chief, Jorge Burgos, and deny that the two men were rivals. "We are both here to serve the President," Eyzaguirre said.

Chile's Enersis
Jorge Rosenblut, the president of the Italian-owned power company Enersis, is being investigated for making illegal campaign contributions – in this case he is alleged to have channelled corporate funding contributions to Chile's ruling Nueva Mayoría coalition.

education ministry to the post of secretary general to the presidency, which had remained vacant since her May reshuffle. Adriana Delpiano, a former minister for natural resources and minister for women under previous governments, has been brought in as the new education minister.

The change may help negotiate some kind of truce in the three-way conflict between the government, students, and teachers. Eyzaguirre had a reputation for being abrasive, and according to opinion polls has one of the highest disapproval ratings of any cabinet minister. Upon his departure, one of the leaders of the teachers' union Colegio de Profesores de Chile, Mario Aguilar, described Eyzaguirre as "arrogant and intransigent" and never making the effort to discover the reasons behind their four-week strike.

Delpiano open to dialogue

For her part Delpiano initially took a hard line, saying she would only negotiate with the teachers if they ended their strike. However, in later statements she appeared to take a more flexible stance saying that there was room to discuss amendments to the government's framework bill. Aguilar responded that "even when Eyzaguirre was at his most intransigent we were ready to have a dialogue. If she calls us, we'll go." Another teachers' leader, Dario Vázquez said he was confident that negotiations would be easier under Delpiano than under Eyzaguirre.

However the education dispute turns out, it does seem that the political pressures on Bachelet will not ease off anytime soon. The economy is displaying continuing signs of weakness, with the latest data showing that manufacturing output contracted in May for the fifth consecutive month (it was down 3.3% year-on-year). Unemployment in the three months to May also edged up to 6.6%, from 6.1% in April.

The Chilean economy remains resilient, but private sector sentiment is troubled, not least by the wave of corruption scandals and investigations into illicit campaign contributions. The latest development on that front was the resignation of Jorge Rosenblut, the president of the Italian-owned power company Enersis (*see sidebar*).

BRAZIL | POLITICS

After setback Cunha triumphs

Eduardo Cunha, the speaker of the federal lower chamber of congress from the nominally-government allied Partido do Movimento Democrático Brasileiro (PMDB), is not to be underestimated. After a constitutional amendment to reduce the age of criminal responsibility from 18 to 16 for serious crimes fell just five votes of the 308 needed for approval on 30 June, Cunha managed to stitch together another proposal, which passed, in the early hours of 2 July.

Opposed by the ruling left-wing Partido dos Trabalhadores (PT), the aim of reducing the age of criminal responsibility was backed by Cunha, some of the PMDB, the opposition Partido da Social Democracia Brasileira (PSDB) and other smaller parties. It was also supported by 87% of the public, according to a Datafolha poll published last week. Though such a bill has been discussed for decades by congress, it was widely anticipated that this highly conservative legislature would finally change the law.

On 30 June the justice minister, José Eduardo Cardozo, spent the day of the vote in congress arguing against the bill. In a press conference last week, he revealed that the Brazilian prison system was already 220,000 inmates over capacity and that a change in the law would result in an extra 30-40,000

Falkland oil companies

All five companies have licences from the Falkland Islands authorities: Britain occupies the islands and claims sovereignty there. Ever since the military clash in 1982, when Argentine forces occupied the islands only to be evicted by a British task force, successive governments on both sides have maintained their mutually incompatible claims to sovereignty.

adolescent prisoners. Cunha complained that Cardozo “spread lies” around congress in order to thwart the passage of the bill. The speaker blamed its initial defeat on the fact that 22 congressional deputies were absent.

On 1 July, Cunha put together with his allies a bill which reduced the range of crimes which would result in 16 and 17 year-olds being tried as adults. Serious crimes, such as murder, or bodily harm followed by death, will now result in the offender being tried as an adult.

The bill passed by 323 votes in favour, to 155 against, with two absentions. While one political opponent described Cunha’s manoeuvre as “constitutional rape”, the speaker claimed the bill passed because “the majority of the population wants it”.

Further discussion will now take place on changes to the statute of children and adolescence (ECA), which may increase the maximum jail time for teenage convicted criminals. At present, they can only be imprisoned for a maximum of three years, regardless of their offence. The government proposes extending this to eight years.

ARGENTINA | ECONOMY

Oil companies and space stations

Argentina found itself involved in two rather different disputes over national sovereignty last week: in one, the familiar South Atlantic territorial dispute with Britain over the Falklands/Malvinas islands, a local judge sought to freeze oil company assets. In the other, domestic opposition parties questioned the terms of a deal allowing China to build a space observation station in Patagonia.

Tierra del Fuego-based judge Lilian Herráez ordered a freeze on the assets of five international oil companies, on the grounds that they are operating without authorisation in offshore waters around the Malvinas islands, as they are known in Argentina. The five firms are Premier Oil, Rockhopper Exploration and Falkland Oil and Gas (all UK registered); Noble Energy (US) and Edison S.P.A. (Italy).

The court order seeks to freeze bank accounts, boats, and other assets worth an estimated US\$156m. As none of the companies have operations in Argentina, the move appeared to be largely symbolic: theoretically Argentina could pursue the action through the international courts, but this would involve a long and costly legal process with an uncertain outcome. Despite that, Foreign Minister Héctor Timerman said he would formally ask London and New York stock exchange regulators to implement the order.

Some oil has been discovered, but it is not yet known if the deposits are large enough to merit full scale commercial development (or indeed what arrangements would need to be made to ship any oil and gas without support from the Argentine mainland).

None of the companies commented on the freeze, and news of it was said to have provoked no more than “mild turbulence” in their share prices. An adviser to Premier Oil was quoted as saying “I think this is the fifth time in 15 months they have made threats... it is all just political noise”. British foreign secretary Philip Hammond called the move “an outrageous piece of bullying”.

Chinese space station

Meanwhile, the Argentine government’s agreement to allow China to build a space station in the Patagonian province of Neuquén continues to attract

Opposition reacts to Chinese space station

On his Twitter feed Senator Fernando 'Pino' Solanas, of Argentina's left-wing opposition Partido Proyecto Sur, said that "the agreement with China [over a space station in Patagonia] can expose Argentina to geo-strategic risks in the unstable international environment".

domestic criticism. Publicly, the government has said the deal, signed by President Cristina Fernández and her Chinese opposite number, Xi Jinping, last February, involves ceding a 200-hectare site in Bajada del Agrío some 50km from the border with Chile, where a US\$50m space tracking station is being built. The station has been granted a 50-year tax exemption and will be operated by a company called China Satellite Launch and Tracking Control General (CLTC).

Investigative television journalist Jorge Lanata tried to visit the site, but said he had been turned away by Chinese officials who told him the area was "Chinese territory". Lanata claimed work on the site started at least a year before the treaty was signed; and that the treaty had "secret clauses". On his programme *Periodismo para Todos* (PPT), Lanata interviewed a security expert, Ricardo Runza, who said the site was being run by a Chinese "para-military agency" and that it was "a base with fundamentally military objectives... we are looking at a the quasi-concession of Argentine sovereignty to a foreign power".

The government angrily denied these claims, with Fernández's office describing Lanata's claims as "fallacious and ill-intentioned". Officials said the station has "exclusively scientific and civilian objectives" and that there were "no secret or reserved clauses" in the agreement.

TRACKING TRENDS

BRAZIL | Public debt set to reach record highs. Brazil's public debt is set to reach a new record this year, even if the government does succeed in reaching its primary budget surplus target of R\$66.3bn (US\$21.1bn), or 1.1% of GDP. According to projections published on 30 June by the central bank, public debt is set to reach 62.7% of GDP by the end of 2015, up from 58.9% at the end of last year. If, as expected, the government fails to reach its target the scenario will be even worse. Most analysts expect a 0.7% primary budget surplus, meaning public debt will be 63.1% of GDP.

Mansueto Almeida, a public accounts specialist, told the financial newspaper *Valor* that within a few years Brazil is likely to overtake India as the most indebted of the major emerging economies. "In such adverse circumstances, if the government manages to hit a surplus of 0.6% to 0.8% it would not be the end of the world," he said. "But without a massive increase in tax revenue, I can't see how that is possible." While most financial analysts have praised the austerity package being implemented by the government, the rise in the country's debt could lead to a credit rating downgrade in the near future.

Separately, the state oil company, Petrobras announced plans on 29 June to cut investment by 37% over the next five years, in an effort to reduce debt and recover investor confidence amid the on-going corruption scandal. The company says it expects capital spending over the 2015-2019 period to reach US\$130.3bn; its previous five-year plan, up to 2018, envisaged spending of US\$206.8bn. The reduction in investment will have a significant impact on Brazil's economy as a whole: Petrobras is the nation's biggest single source of investment, supporting a huge network of suppliers and constructors.

BRAZIL | Inflation target change. On 25 June the national monetary council (CNM) of Brazil's central bank announced that the 'band of tolerance' on the national inflation rate target would be 1.5% from 2017. Since 2004 the central bank's inflation target has been 4.5% plus or minus 2%. At present inflation is running at close to 9%.

Interest rates are likely to continue to rise in order to rein in inflation. Most analysts expect a rise of another 50 basis points in July. The central bank's benchmark interest rate, the Selic, currently stands at 13.75%.

State 'responsible' for at least one extrajudicial execution

“On 26 June Humala told the media, ‘Whatever the CorteIDH says [my government] will not pay a single Peruvian Sol to the *terrucos* [slang for terrorists].’ The following day Justice Minister Gustavo Adrianzén adopted a slightly less abrasive tone. ‘It will be a good ruling if we achieve two things: that in no manner our heroic Chavín de Huántar commandos are touched and that in no manner the State is ordered to pay reparations to the alleged victims or the NGOs that have sponsored the suit.’”

For a moment, it looked as if President Ollanta Humala was going to join the ranks of the Latin American rulers determined to ignore the rulings of the Inter-American Court of Human Rights (CorteIDH). Days before the court ruled on a landmark case in which the Peruvian State was being tried for alleged extrajudicial executions, he explicitly laid down conditions for his acceptance of the decision. In the event he needn't have gone out on a limb.

The case revolved around the 1997 'Chavín de Huántar' operation in which commandos stormed the residence of the Japanese ambassador in Lima to rescue 72 people who had been held hostage there for 126 days by 14 guerrillas of the Movimiento Revolucionario Túpac Amaru (MRTA). All but one of the hostages were freed; all of the guerrillas were killed. On the strength of claims that three of the guerrillas had been seen alive after the hostages had been rescued, a case alleging that they had been executed extrajudicially was taken before the CorteIDH in 2001.

On 26 June Humala told the media, “Whatever the CorteIDH says [my government] will not pay a single Peruvian Sol to the *terrucos* [slang for terrorists].” The following day Justice Minister Gustavo Adrianzén adopted a slightly less abrasive tone. “It will be a good ruling if we achieve two things: that in no manner our heroic Chavín de Huántar commandos are touched and that in no manner the State is ordered to pay reparations to the alleged victims or the NGOs that have sponsored the suit.”

Three days later the court handed down its ruling. It said, “The alleged victims in this case were not civilians but members of the MRTA who participated actively in the hostilities. This notwithstanding, they could be beneficiaries of the safeguards [of] the Geneva Conventions.” It found that there had not been “varied and compelling evidence” that two of the alleged victims had been *hors de combat* at the time of their deaths, but that the Peruvian State incurred in international responsibility for the arbitrary killing of the third, Eduardo Nicolás Cruz — who had been seen alive by one of the hostages, the Japanese diplomat Hidetaka Ogura.

The court said that its ruling was a form of reparation, so it was not ordering the payment of economic compensation. However, it did order the Peruvian State to conduct a full investigation to identify and try those responsible for the execution of Cruz Sánchez and, if so requested, to cover the cost of psychological and psychiatric assistance to the victim's brother and his legal expenses.

Minister Adrianzén raised no objections to the latter and regarding the former said that a Lima prosecutor had requested further investigation and issued summonses to Ogura, retired army Colonel Jesús Zamudio (currently in hiding) and two former police officers, Raúl Robles and Marcial Torres. In other words, some soles may have to be paid, and some of the heroic commandos may end up being 'touched'. Andrianzén summed up the government's reaction to the outcome saying, “The sentence is emphatic in confirming that the operation was intended to rescue the hostages. Hence its purpose was not to go and kill terrorist criminals.”

Farc warns of more fatalities among soldiers and police

A member of the Fuerzas Armadas Revolucionarias de Colombia (Farc)'s general staff has announced that the current "latest phase in the war" will see more fatalities in the ranks of the military and police, which are more of a priority objective than the oil pipelines. This has led defence minister Luis Carlos Villegas to issue an alert to all members of the military and police, on and off duty.

In statements made to *Bloomberg* and published on 1 July, guerrilla commander Luis Eliécer Rueda Vernaza ('Matías Aldecoa') said in Havana, "Soon people will see the war in this latest phase, and they're going to see the number of police and soldiers who die [...] For us, oil pipelines aren't the number one target."

What Rueda labels the "latest phase" in the war is the Farc's resumption of hostilities since 22 May since it lifted its five-month unilateral ceasefire. Despite Rueda's mention of priorities, in that period there have been far more Farc attacks with explosives on the electricity and oil infrastructure than armed engagements with the government forces — with attacks on police stations and patrols outnumbering skirmishes with the army.

Fatalities among the military and police have been relatively low; 10 and 11 respectively, and of the former, eight resulted from two separate instances in which army units wandered into or landed upon minefields. To put the toll into perspective, the Farc's 14 April attack left 11 soldiers dead and at least 17 injured [SSR-15-04] and the government's 21 May response killed 26 guerrillas [SSR-15-05]. These were the two events that led to the Farc's ending of its five-month unilateral ceasefire.

Just before Villegas's alert a police officer was killed and another was injured as they were having a haircut in Tibú, Norte de Santander department, and another two were killed by a guerrilla attack on a police patrol in Baraya, Huila department.

Rueda did say that the attacks on the pipelines and power installations were meant to "hit the economy and investor confidence". Two days before Rueda's statements the authorities had reported attacks with explosives on a power pylon in La Guajira department and a segment of the Santa Ana-Orito pipeline in Putumayo department. On 24 June in Nariño department an attack on the Transandino pipeline not only caused a loss of almost 10,000 barrels of oil but, by contaminating the rivers feeding the Tumaco aqueduct, forced the suspension of the water supply to more than 160,000 people.

Since the ceasefire was lifted, the Farc carried out more than 20 attacks with explosives on the country's power infrastructure: power pylons and substations, oil pipelines, wells and other installations, plus two incidents in which convoys of oil tank trucks were intercepted and forced to spill their cargo. This focus on the energy infrastructure dictated location: well over half of the actions took place in a swathe across the south, where the Transandino and San Miguel-Brito (OSO) pipelines were attacked repeatedly. There were 12 such attacks in Nariño and eight in Putumayo.

This picture would not be complete without considering the cases when the military were able to stymie other similar attacks. Among the most notable instances were the 18 June frustration of the attempted bombing of a hydroelectric plant in Caquetá department and the 20 June deactivation of 48 charges containing 27 kilos of Pentolite affixed by the Farc to the OSO pipeline in Putumayo.

“In statements made to *Bloomberg* and published on 1 July, guerrilla commander Luis Eliécer Rueda Vernaza ('Matías Aldecoa') said in Havana, 'Soon people will see the war in this latest phase, and they're going to see the number of police and soldiers who die [...] For us, oil pipelines aren't the number one target.'”

González pledges to return

The former prime minister of Spain, Felipe González (1982-1996), says he aims to return to Venezuela before the 6 December elections. “Unless the Vienna Convention declares me *persona non grata*, I have the right to circulate freely”, he asserted. González, who cut short a planned week-long visit to Venezuela in early June after authorities refused him permission to visit imprisoned opposition politicians or attend their trial sessions in his capacity as their legal counsellor, called on the Maduro government to allow “freedom of representation” in the elections (so that jailed politicians and exiles could run) and the presence of international observers. To date, the CNE has only accredited an electoral ‘accompanying mission’ from the Union of South American Nations, which the Venezuelan opposition suggests is not a neutral observer.

PSUV holds “dignified” primaries

Diosdado Cabello, president of Venezuela’s national assembly and number two in the ruling Partido Socialista Unido de Venezuela (PSUV), on 29 June declared the winners of the PSUV’s day-earlier internal primaries for the 6 December legislative elections. Cabello, who as the PSUV’s first vice-president effectively runs the party (President Nicolás Maduro is the party president), said the PSUV primaries were “a lesson in dignity” in the face of “the contempt and sustained attacks from the Right” and heralded a great victory in December. Cabello contrasted the democratic nature of the PSUV’s contest with the internally-contentious process run by the main opposition coalition, Mesa de la Unidad Democrática (MUD).

The PSUV primaries followed a month of campaigning by some 1,162 pre-candidates chosen in April by 13,600 grassroots assemblies across the country. These assemblies, known as Comités de Lucha Popular y las Unidades de Batalla Bolívar-Chávez (Ubch), are closely overseen by Cabello. He put the turnout at 3.16m, of an estimated 7m registered PSUV members, and boasted that it was over five times that for the open national primaries held by the MUD on 17 May, when turnout was just over 0.6m (of the 19m-strong national electorate). Some opposition figures questioned Cabello’s reported turnout, with the former deputy, Maria Corina Machado, *tweeting* photos of sparse-looking voting centres.

In contrast with the MUD, however, which held its open process in just 33 of the country’s 87 districts (choosing the rest by internal consensus), the PSUV held primaries in all 87 districts to choose 100% of its legislative candidates; albeit the leadership typically ‘finalises’, in not altogether transparent fashion, the pre-candidates chosen by the Ubchs (which has led to dissent from the base in the past). The PSUV will now negotiate with its 13 or so allied parties in the Gran Polo Patriótico Simón Bolívar (GPPSB), the official ruling left-wing electoral coalition put together in 2011 by the late president Hugo Chávez (1999-2013) in support of his re-election bid in 2012, to complete lists. This year 168 seats will be elected for the national assembly, up from the current 165.

CNE riles the MUD with gender quotas

The MUD has run afoul of new electoral regulations on gender parity published by the national electoral council (CNE) on 25 June stipulating that women must make up 50% of candidates’ lists. The MUD suggests that the CNE, having already gerrymandered electoral districts, is again moving the goalposts in favour of the PSUV, at a time when the polls suggest a strong voter preference for the opposition. The timing of the ruling is undoubtedly awkward for the MUD, which has only just managed to complete the complicated internal process among its 29 parties to finalise its December line-up. The fractious coalition still has to decide on whether to field candidates on individual party tickets or whether to have a single ‘unity’ ticket, as proposed by the moderate leadership.

However, the fact is that the CNE had warned about this on several occasions (in April and again in May), and it is the case that it has moved to implement obligatory gender quotas in previous elections when it became apparent that parties were failing to adhere to its recommended guideline that at least 40% of electoral candidates be female. Of the PSUV’s primary candidates, 50% were under 30 years of age, while 60% were women, in line with CNE recommendations. On the day, just 30% of the chosen PSUV candidates were women, nevertheless this was still far ahead of the MUD’s tally. In the MUD’s final lists, only 11% of the final candidates are female. There are now some suggestions that the MUD will have to tear them up its lists and start again.

Inequality not yet on the agenda

A report published by Oxfam Mexico has highlighted extreme inequalities in income and wealth in the country, pointing out among other things that Mexico has proportionately more billionaires, and more people living in poverty, than most other countries in the world. However, inequality remains fairly low on the country's political agenda.

The Oxfam report, written by Gerardo Esquivel Hernández, pulls together some dramatic data. According to figures from the Organisation for Economic Co-operation and Development (OECD), Mexico's top 10% by income earn 30.5 times more than the bottom 10%, helping make the country one of "the 25% least equal societies in the world". For comparison, the top decile/bottom decile ratio is a slightly lower 26.5 in Chile, lower again at 18.8 in the US, 10.5 in the UK, and down to only 6.6 and 5.2 in the comparatively egalitarian Germany and Denmark.

According to the World Bank's Gini coefficient (a technical measure of inequality) the Mexican distribution of income became more equal in the 1990s and in the first decade of this century, but remains less so than it was in the 1980s. Per capita GDP has increased, but because of persisting inequalities of income, poverty reduction has ground to a halt. According to the World Bank, the proportion of the Mexican population living in poverty fell to a low of 42.9% in 2006, but subsequently rose, according to the latest available survey, to 52.3% in 2012. That means that more than half the population, or about 63m people, are currently living below the poverty line.

Seen from the perspective of rich Mexicans, on the other hand, the last decades have been extremely good. The top 10% now own 64.4% of the country's total wealth. While the number of millionaires in the world fell by 0.3% between 2007 and 2012, the number in Mexico rose by 32% in the same period.

The number of Mexican multi-millionaires has remained fairly constant in recent years (there are currently 18) but their wealth has leapt up from an estimated US\$25.6bn in 1996 to US\$142.9bn in 2014. The top four Mexican multi-millionaires had assets equivalent to 2% of GDP in 2002, rising to 9% of GDP in 2014 (*see sidebar*).

A number of factors play a significant role in Mexico's persistent inequality. One is that at what could be called the bottom end of the wealth pyramid, successive Mexican governments have been less successful than some of their Latin American peers in implementing poverty reduction programmes.

While both Brazil and Mexico have had commodity export-led boom years in the 1990s and in the noughties, it appears that Brazil, through the payment of higher minimum wages and the 'Bolsa Família' programme (cash transfers to the poor, made conditional on households ensuring their children's school or health centre attendance) has had greater success. Brazil's poverty headcount dropped below one-tenth of the population in 2012, and in 2013 fell further to 8.9%.

Mexico has been running conditional cash transfer programmes for almost as long as Brazil, but the results have not been comparable. Speaking off the record, a senior economist at a Mexican bank has suggested, however, that many of the Mexican cash transfers do not actually reach their intended destination, being "diverted" for political campaigns.

Top four multi-millionaires

The Oxfam report identifies the top four multi-millionaires in Mexico and their core businesses as being Carlos Slim (telephony) Germán Larrea and Alberto Bailleres (both in mining) and Ricardo Salinas Pliego (TV, telephony, and banking).

Inequality

Getting the political system to tackle the issue of inequality is perhaps one of the big pending issues in Mexican politics. The debate on inequality (and indeed poverty reduction) sits low down the political agenda despite the fact that Mexico's (admittedly fragmented) left-wing parties performed admirably in the recent mid-term congressional and state elections, taking some 30% of the vote.

Significantly perhaps, the Mexican minimum wage has not been increased for years and is often completely ignored. Over half the total work force in Mexico is "informal", meaning that it operates outside the official tax and benefits system. This leads to high levels of financial exclusion: only about one-fifth of Mexicans have a bank account. High levels of corruption and criminality, especially in the country's southern states, also make poverty-reduction particularly difficult.

"Rent seeking" activities

There is also evidence that Mexico's rich have indulged in what US economist Joseph Stiglitz has called "rent seeking" activities – using their power and influence to nudge economic policies in a direction that maximises their profits, for example, by preserving oligopolies, tax breaks, or other privileges. This has also been described as a self-reinforcing process by which the super-rich seek to "capture" the State.

Like their US equivalents, Mexico's millionaires have made party political contributions and used their media assets to influence the policy agenda. Existing policies in fact do relatively little to help redistribute income. The tax system is in many ways regressive (large tax deductible allowances mean that middle class Mexicans end up paying a lower rate of tax than poorer ones). Indirect taxes on consumption (such as value added tax [VAT]) are used more extensively than direct ones on income (such as income tax), which also has a regressive effect. Significantly, in a country with large family fortunes, Mexico has no inheritance tax.

Modernising reforms

One of the interesting features of modern Mexico is that – on paper at least – the government led by President Enrique Peña Nieto has undertaken modernising reforms that should make rent-seeking by Mexico's super-rich more difficult. There has been a deliberate attempt to promote more competitive, better-regulated industries and to break down monopolies.

President Peña Nieto has also initiated education reforms that, if successful (and protracted protests by powerful teachers' unions are complicating this) might help create more upward mobility and a move towards a more meritocratic society. Yet many are sceptical about the scope of these changes, which they see as insufficient to tackle the problem of inequality and poverty head-on.

What is perhaps surprising is how low down the political agenda the debate on inequality and poverty reduction appears to sit. Attitudes remain shaped by a belief in "trickle down economics" (the idea that if the rich do well, everyone else will do well – a view that many economists say is not backed by hard evidence).

The left-wing opposition Partido de la Revolución Democrática (PRD) supported the government's fiscal reform package, which came into effect in early 2014 and which led to a very modest increase in Mexico's overall tax burden (still one of the lowest in the OECD). That was opposed by the centre-right opposition Partido Acción Nacional (PAN).

In the mid-term federal congressional and state elections just held at the beginning of June, while all candidates spoke in general terms about boosting growth, employment, and security, there were very few mentions of the need to tackle inequality and redistribution. This is perhaps all the more surprising given that left-wing parties, although divided among themselves, between them attracted almost 30% of the total votes cast.

A strategic FTA

Mexico's ambassador to Panama, José Ignacio Piña, said that the ratification of the Mexico-Panama FTA represents "a step forward for regional integration", paving the way for Panama's incorporation into the Pacific Alliance and introducing "new perspectives" to region-wide trade. Mexico-Panama bilateral trade reached US\$1bn in 2014 and Piña said that the FTA would help to significantly boost this figure as has been the case with Mexico's other Pacific Alliance trade partners. Similarly, Panama's deputy trade minister, Manuel Grimaldo, has said that the FTA with Mexico represents a "golden opportunity" for Panama and a "determinant step" towards the expansion of the Pacific Alliance.

MEXICO | Discussing Pacific Alliance with Panama. On 18 June Mexican and Panamanian officials took part in a Pacific Alliance seminar in Mexico City, where they discussed Panama's possible inclusion into the budding regional trade bloc. The Pacific Alliance currently comprises Chile, Colombia, Mexico and Peru. But along with Costa Rica, Panama is one of the countries that is currently in the process of applying for full membership of the bloc. The seminar took place after Mexico's senate ratified the Mexico-Panama free trade agreement (FTA) in March, paving the way for Panama, a Pacific Alliance observer since the bloc's formation in 2011, to be fully incorporated into the trade bloc. One of the requirements for Pacific Alliance membership is for prospective members to have in place FTA agreements with all the grouping's members. Panama already had FTAs in place with all other Pacific Alliance members except for Mexico (*see sidebar*). An official statement by Mexico's foreign ministry (SRE) said that the issues discussed in the seminar include some those considered a priority for the bloc such as improving access to markets, facilitating trade, technical obstacles to trade, promoting customs cooperation and adopting common sanitary measures. Other issues discussed included the free movement of individuals, investment promotion and the peaceful resolution of conflicts and cooperation with international organisations and the Pacific Alliance observer countries (which currently number 32). According to the SRE statement, those participating in the seminar included Mexico's foreign minister for Latin American and Caribbean affairs, Vanessa Rubio and Mexico's deputy economy minister for foreign trade, Francisco de Rosenzweig. Panama was represented by deputy foreign relations minister, Luis Miguel Hincapié; deputy economy minister, Iván Zarak and deputy labour minister, Zulphy Santamaría. The Pacific Alliance currently comprises a market of 214m people, and has a GDP of US\$2.1bn, which accounts for 37% of Latin America's GDP.

MEXICO | Boosting ties with Italy. On 15 June the Mexican and Italian governments signed a series of bilateral cooperation agreements in the areas of social security, justice, tourism, renewable energy, the aerospace sector and in the joint promotion of small and medium-sized enterprises (SMEs). The agreements were signed in Rome during a meeting between Mexico's President Enrique Peña Nieto – on his first official visit to Italy – and Italy's Prime Minister Matteo Renzi. The signing of the agreements should help boost bilateral economic relations and underline the Peña Nieto government's efforts to intensify trade with the European Union (EU) through updating and modernising the existing Mexico-EU free trade agreement (FTA). This much was highlighted by Peña Nieto, who in an official statement thanked the Italian government led by Renzi for Mexico's efforts to re-negotiate the terms of its FTA with the EU. Peña Nieto added that the new agreements would "increase the levels of reciprocal investment between both nations, generate employment and increase trade flows"; and that Mexico's relationship with Italy was strategic in terms of SMEs development, security, multilateral affairs and triangular cooperation with Central America. In particular, Peña Nieto pointed out that Italy is a global reference for the successful promotion of SMEs and that Mexico hopes to take full advantage of this experience. "That is why soon, in the second half of the year, we will be hosting the second Italo- Latin American forum, in support of small and medium sized firms" he said. Peña Nieto also highlighted that the newly inked tourism cooperation agreement will result in Italy's national flag carrier airline, Alitalia, resuming its direct flight services from Italy to Mexico in 2016. For his part, Prime Minister Renzi highlighted the agreement on renewable energy cooperation which, thanks to the energy sector reforms that the Peña Nieto government has been implementing, would allow Italy to invest in and help develop Mexico's clean and renewable energy sub-sectors. Renzi added that the agreements will pave the way for other "significant" deals in the energy sector. Italy is currently Mexico's third largest EU trade partner, while Mexico is Italy's second largest trade partner in Latin America, with US\$6.9bn in bilateral trade in 2014. Yet Italian investments in Mexico are currently valued at only US\$428m.

MEXICO | Another accident at Pemex. On 22 June Mexico's state oil company, Pemex, reported that a leakage of oil and gas at its 'Akal-H' oil rig in the Gulf of Mexico, produced a small fire. A Pemex statement said that its emergency services quickly brought the fire under control and the incident did not produce any injuries. But the fire did result in the temporary closure of the rig, resulting in the loss of production of 15,000 barrels of oil. This is the third accident at Pemex oil production facilities in the Gulf of Mexico so far this year, all of which have contributed to the firm failing to meet its production targets.

The stars and the stripes will fly over Havana on 20 July

On 1 July US President Barack Obama announced that the US and Cuba would formally restore full diplomatic ties and open embassies on 20 July next.

The US Secretary of State, John Kerry, will travel to Havana for the official flag raising ceremony at the existing US interests section in the Cuban capital, which will be upgraded to full embassy status. At the same time, the Cuban interests section in Washington, currently undergoing major refurbishment, will also be restored to embassy status. The Cubans are keeping mum on mooted nominees for ambassador to the US, but Jeffrey DeLaurentis, the current head of the US mission in Cuba, a longtime Cuba specialist and well regarded in international diplomatic circles, is the frontrunner, according to the *New York Times*. DeLaurentis was a consular officer in Cuba in 1991-1993, during the post-Soviet 'Special Period' and was also head of the Interests Section's economic and political section in 1999-2002.

Cuba's President Raúl Castro yesterday released a letter addressed to Obama in which he said that he was pleased to confirm the restoration of diplomatic relations and the opening of permanent diplomatic missions. "In making this decision, Cuba is encouraged by the reciprocal intention to develop respectful and cooperative relations between our two peoples and governments" he wrote.

Back in Washington however, US Republicans including the 2016 presidential hopeful, Senator Marco Rubio (R-FL), again vowed to block Obama's ambassadorial nomination. Ambassadors can be confirmed via a simple majority Senate vote, but the (Republican) leadership can refuse to hold a vote on any nominee. In an official note in response to the Obama announcement, Rubio, a first generation Cuban-American, repeated his arguments: "Throughout this entire negotiation, as the Castro regime has stepped up its repression of the Cuban people, the Obama administration has continued to look the other way and offer concession after concession. The...plan to restore diplomatic relations is one such prized concession to the Castro regime. It remains unclear what, if anything, has been achieved since the president's December 17 announcement in terms of securing the return of US fugitives being harbored in Cuba, settling outstanding legal claims to US citizens for properties confiscated by the regime, and in obtaining the unequivocal right of our diplomats to travel freely throughout Cuba and meet with any dissidents, and most importantly, securing greater political freedoms for the Cuban people."

Yet the anti-Cuban lobby is now definitively on the wrong side of US public opinion, according to national polls. At a time when Republican fringe elements like Donald Trump have already done much to alienate the 2016 Latino vote, and when even the traditional Miami constituency has shifted in favour of re-engagement with Cuba, Rubio risks losing political support with his intransigent stance against any engagement.

Obama was keen to make clear to both US and Cuban citizens that the Republican-controlled Capitol Hill is now the biggest obstacle to the complete normalisation of US-Cuba relations. He called on congress to remove the half-century old embargo. "It hasn't worked for 50 years. Americans and Cubans alike are ready to move forward. I believe it's time for Congress to do the same...Listen to the Cuban people, the American people", he urged. Under the 1996 Helms Burton Act, which codified the embargo, it can only be removed once the Castro brothers are no longer in office. Raúl Castro is due to step down in 2018.

Obama

President Barack

Obama stuck to his argument that after 50 years of failed efforts, engagement beats isolation in the effort to encourage democratic reform.

"I've been clear that we will also continue to have some very serious

differences...That will

include America's enduring support for

universal values, like freedom of speech and assembly, and

the ability to access information. And we

will not hesitate to speak out when we

see actions that contradict those

values. Nobody expects Cuba to be transformed

overnight. But I believe that American

engagement through our embassy, our

businesses and most of all through our

people, is our best way to advance our

interests and support for democracy and

human rights", he stated.

Panama FDI

The latest United Nations Economic Commission for Latin America & the Caribbean (Eclac) report on foreign direct investment (FDI) in the region notes that FDI flows into Panama increased marginally to a record high US\$4.71bn in 2014, continuing a nearly unbroken uptrend since 2009. The Eclac report singles out the expansion of the Panama Canal as leading to further inflows of investment in the logistics sector. The report also notes that “newly announced projects in logistics include warehouses and distribution centres by the ESKE Group (Peru), Hutchison Whampoa (Hong Kong Special Administrative Region of China), Deutsche Post (Germany), PSA International (Singapore) and the CEVA Group (United Kingdom)”.

Challenges to cleaning up Panama’s image

The Partido Panameñista (PPA)-led El Pueblo Primero (EPP) coalition government led by President Juan Carlos Varela might have attracted plaudits over its efforts to investigate alleged corruption that took place under the previous administration led by Ricardo Martinelli (2009-2014). However, as the Varela government marks its one year anniversary in office, the challenges to its efforts to improve transparency remain clear. The European Union (EU) recently blacklisted Panama as a tax haven. Meanwhile Panama’s attorney general (AG), Kenia Porcell, last week announced the launch of an investigation into Norberto Odebrecht, the local subsidiary of Brazilian construction giant Odebrecht, after Odebrecht’s CEO, Marcelo Odebrecht, was arrested in Brazil on 19 June for alleged corruption [WR-15-25].

Porcell’s announcement came the day after the public ministry’s office received a request for judicial assistance from the Brazilian authorities to help them in their investigation into Odebrecht’s activities in Panama. According to the Brazilian authorities, numbered bank accounts in Panama were allegedly used to deposit millions of dollars in bribes to managers of Brazil’s state-controlled oil company, Petrobras. According to Panamanian daily *La Prensa*, the Fundación para el Desarrollo de la Libertad Ciudadana, the local branch of Berlin-based NGO Transparency International, sent a letter to Panama’s public ministry back in March, requesting an investigation into Norberto Odebrecht, citing Brazilian media reports indicating that the authorities in Brazil were investigating the company and its activities in Panama.

Concerns over Odebrecht

Porcell’s announcement has led to calls for all of Odebrecht’s contracts in Panama (worth some US\$8.15bn according to *La Prensa*), to be audited. So far Comptroller General Federico Humbert has announced plans to audit its biggest contract – for the US\$2bn construction of the first line of the Panama City metro, which it constructed last year (as part of a consortium with Spain’s Fomento de Construcciones y Contratas, S.A.F). On 2 June Odebrecht and FCC won the US\$1.8bn contract for the second line of the Metro, beating UTE Panama II (comprised of Spain’s Dragados SA, Mexico’s Ingenieros Civiles Asociados and Peru’s Graña y Montero) and Consorcio PANAMetro (China Harbour Engineering Company, China Railway First Group and Spain’s Corsan-Corviam Construction).

However, controversy surrounded this process: the PANAMetro consortium filed a complaint before Panama’s public contracting department (DGCP) – which was subsequently rejected- alleging procedural errors due to the fact that at least two members of the evaluation committee – Óscar Ramírez, the dean of the Universidad Tecnológica de Panamá and Agustin Ariás, an engineer- had links to Odebrecht and FCC. According to the local press, Ramírez had served as a consultant to Odebrecht between 2009-2012 while Ariás was a consultant to FCC in 2009. Given these concerns, the decision announced on 26 June by the housing ministry (Miviot) to award the US\$500m contract for the renovation of the city of Colón to a consortium comprising Odebrecht and Panama’s Constructora Urbana (CUSA), raised eyebrows.

EU blacklists Panama

In a further disappointment for the Varela government, on 17 June the EU published its first ever ‘tax haven blacklist’, which featured Panama among 29 other jurisdictions which appear on the blacklists of at least ten EU member states.

Human rights concerns

The ongoing concerns in Nicaragua regarding the lack of transparency surrounding the environmental and social impact study (EIA) for the 'Gran Canal' come on top of human rights complaints levelled at the Nicaraguan government over the project. In May the International Federation for Human-Rights raised concern about the expulsion of two representatives of a US-based NGO, The Center for Justice and International Law (Cejil), who were visiting Nicaragua at the invitation of a local human rights group, Centro Nicaragüense de Derechos Humanos (Cenidh). The expulsion of Luis Carlos Buob, a Peruvian-Swiss lawyer, and his Spanish colleague, Marta González, was linked to their efforts to denounce human rights violations related to the Canal project. A Cenidh statement described their deportation as "arbitrary and illegal", and said the two had been subject to "hostile treatment, theft, violence, and unjustified denial of entry".

Panama's inclusion on the list – which led deputy foreign relations minister, Luis Miguel Hincapié, to reveal that the government was considering possible measures against the EU countries which included Panama on their blacklists – was a particular blow for President Varela given his promulgation in late April of a new law aimed at getting the country off the Paris-based Financial Action Task Force (FATF)'s grey list. The new law which cracks down on money laundering, terrorism financing and the proliferation of weapons of mass destruction, replaces legislation dating back to 2000. With the approval of the law, which toughens supervision of various non-financial sectors, requiring lawyers, real estate brokers, casinos and construction firms, among others, to report suspicious financial transactions, the economy & finance ministry (MEF) had reported that Panama had complied with 70% of the plan put in place to remove the country from the FATF's grey list.

Another Canal milestone

Panama Canal administrator (ACP), Jorge Quijano, last week boasted that the Panama Canal had taken "another step forward toward the completion of the [US\$5.3bn] Canal Expansion Programme as it begins to fill the Coccolí's locks, on the Pacific side following a similar... endeavour on the Atlantic side earlier this month".

According to the 22 June ACP press release, the filling of the Coccolí's locks marks "the start of a deliberate and methodical phase of compliance and operational testing for the project... The filling and subsequent testing of the new Pacific locks is expected to take approximately 90 days to complete".

The same press release notes that as of the end of May, the overall expansion programme – for which the biggest project, the construction of the third set of locks, is being carried out by the GUPC consortium (comprising Spain's Sacyr Vallehermoso, Italy's Impreglio, Belgium's Jan de Nul and CUSA) – stood at 89.8% complete. The completion date of the expansion project was pushed back to early 2016 following a dispute in late 2013 with GUPC over cost overruns [WR-14-01].

Mass protests over 'Gran Canal' in Nicaragua

With the Panama Canal expansion project again attracting attention, the 'Gran Canal' project in neighbouring Nicaragua, which would link the country's Caribbean and Pacific coasts, also made headlines last month after thousands of Nicaraguans took to the streets in the central city of Juigalpa, Chontales department, to protest against the project.

With organisers like the Consejo en Defensa del Lago, la Tierra y la Soberanía Nacional, claiming that some 15,000 people took part, these would be the largest protests to date against the Canal project, for which the Frente Sandinista de Liberación Nacional (FSLN) government led by President Daniel Ortega in June 2013 awarded a US\$50bn build-operate contract to a Chinese firm, Hong Kong Nicaragua Canal Development Company (HKND).

The latest unrest was sparked by complaints regarding the lack of transparency surrounding the project's environmental and social impact study (EIA), which was submitted to the government by a UK-based consultancy firm, Environmental Resources Management Ltd (ERM), at the end of May (despite the fact that work on the Canal began in December 2014) [WR-15-23].

The local press reported that these were the 47th round of demonstrations against the project and the largest since a national protest was held in December 2014, which saw turnout of over 5,000. Unlike the December 2014 protests, which produced clashes between protesters and the police resulting in some 40 protesters injured according to organisers, the Juigalpa demos were largely peaceful, with just one civilian reportedly injured. However, protesters had other gripes against the Ortega government, alleging efforts by the authorities to prevent bus drivers from transporting protesters to the city, for example.

Quotes of the week

“Crime is organised, the State is not.”

Sergio Massa, the presidential candidate of Argentina’s Frente Renovador dissident faction of the ruling Partido Justicialista (PJ, Peronists), on Argentina’s current public security policies.

“Bachelet will never recover the [political] leadership she once had. People are disillusioned because they believe that the President did not act accordingly when faced with dishonest acts. That is when she lost her main attribute, which was not being a good ruler, but an honest and credible person. I still think that she is honest but the people now don’t believe her.”

Chilean opposition senator Manuel Ossandón of the centre-right Renovación Nacional (RN), comments on the credibility crisis afflicting the government led by President Michelle Bachelet.

“Congressmen must legislate for the good of the people and not be political weapons. Produce better laws and worry less by headlines.”

Peru’s First Lady Nadine Heredia reacts to the decision by a congressional investigative commission tasked with investigating corruption to investigate her over links to arrested businessman, Martín Belaunde Lossio.

Big bond issue fuels internecine conflict in El Salvador

Relations between El Salvador’s ruling Frente Farabundo Martí para la Liberación Nacional (FMLN) and the justice system, strained for several years now, are plumbing new depths, with serious consequences for both the government’s economic policy, the funding of social welfare initiatives and, according to President Salvador Sánchez Cerén, its public security strategy.

On 25 June presidents and magistrates on constitutional courts across the region issued a communiqué expressing support for El Salvador’s very active five-member constitutional court in the face of “public attacks”. This followed a striking comparison by one of the constitutional court’s magistrates, Edward Sidney Blanco, between the current campaign being waged by the government led by President Sánchez Cerén against the court and that which led to the infamous murder of six Jesuit priests, their housekeeper and her daughter in November 1989. Blanco said that the government’s ceaseless attacks in the media could prompt “a fanatic” to assassinate one of the court magistrates.

Sánchez Cerén has led the charge. He insists that the constitutional court should assume the cost of violence in El Salvador after it decided on 10 June to consider a legal challenge to the government’s emission of bonds to the tune of US\$900m on 23 April, blocking their issuance. Sánchez Cerén said that US\$100m of this total was earmarked for public security spending and that by blocking the bonds the court was “denying the government funds to combat [violence]”. With the number of homicides reaching levels not seen since the country’s civil war (1980-1992), the court is a convenient scapegoat for the government which has jettisoned a truce with the country’s *mara* street gangs in favour of a full frontal confrontation.

The constitutional court accepted two demands of unconstitutionality against the bond issuance because of the manner in which the requisite 56 votes for its approval were obtained in the legislative assembly. The opposition Alianza Republicana Nacionalista (Arena) is backing the suit which contends that after mustering the support of just 55 of the 84 deputies in the assembly, the bond decree should have been archived for six months under the constitution. Instead, it went to a second motion when an alternate who should not have been present cast the deciding vote.

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